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*Has their time come at last?*
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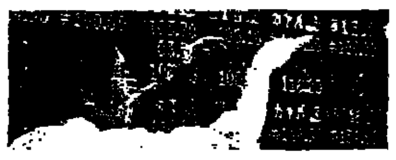

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NEWSPAPER OF THE YEAR

# FINANCIAL TIMES

Tuesday April 28 1992 EUROPE'S BUSINESS NEWSPAPER D 8523A


## Lloyds to launch hostile bid for rival UK bank

Lloyds Bank will announce today its plan to bid for rival Midland Bank, *the object of a £3.3bn* ($5.8bn) takeover offer from Hongkong and Shanghai Banking Corporation. Lloyds is expected to offer more than 400p per Midland share.

It will be the first time a UK clearing bank has made a hostile bid for another UK clearer. Midland is likely to oppose the move. Page 17

**American Express,** financial services group, announced plans to cut annual operating costs at its card division by up to $1bn. Page 17

**Afghan fighting continues:** Rival guerrilla groups in Kabul ignored a ceasefire as they bombarded each other across the city. As the fighting continued, crowds of mujahideen guerrillas welcomed the president-designate, Sibghatullah Mojaddedi, as he crossed the Pakistan border on his journey to the Afghan capital. Page 16

**Malaysia gets tough on environment:**

Malaysian prime minister, Dr Mahathir Mohammed, has called on industrialised nations to inject money into poorer economies to protect the environment. In a combative speech ahead of June's Earth Summit, he said: "Fear by the north of environmental degradation provides the south the leverage that did not exist before." Rich nations must "sacrifice their progress in the interest of our development". Page 4

**Time Warner,** debt-laden US media and entertainment company, is seeking to reschedule $7.2bn of bank loans. Page 17

**Walesa seeks new powers:** Polish president Lech Walesa announced his intention to become a French-style executive president. Page 16

**UK recovery hopes:** Sterling, leading UK shares and government gilt-edged securities all rose *on hopes of a UK recovery. The pound gained* 1¼ pfennigs against a weaker D-Mark and the FT-SE 100 index climbed to within 21 points of its all-time high. D-Mark punished, Page 36; London stock exchange, Page 29

**General Motors'** proposed $2bn share sale, the largest non-privatisation offering launched internationally, will be carried out for cut-price fees. Page 21

**New Yugoslavia:** The Serbian-controlled parliament formally decreed a new Yugoslavia within the boundaries of Serbia and Montenegro. Page 2

**Beer wars over:** The North American beer market, after years of wrangling between the US and Canada, is expected to become more competitive and integrated following an agreement to dismantle several trade barriers. Page 5

**Tokyo brokers:** Japan's big four securities companies are being forced to write off Y129.9bn ($975m) in securities losses because of the steep fall in Tokyo's stock market. Page 17

**O&Y action deferred:** The Canadian government will not offer immediate financial aid to Olympia & York, property developer, because of the political risk of bailing out the Reichmann family. Page 19

**Tradition broken:** The British House of Commons broke with centuries of tradition by choosing a woman, Betty Boothroyd, as the parliamentary speaker. Page 8

**Machine tool deal:** The US has agreed with Japan key elements for phasing out "voluntary" quotas on machine tools. Page 5

**Russian jobless:** Unemployment in Russia *may rise to 10m-11m by the end of this year, according* to an International Labour Organisation study. Page 3

**Officials jailed:** Seven Mexican officials were *jailed in connection with the Guadalajara sewer* explosions which killed 200 people, pending a decision on whether to file formal charges.

**Siemens,** German electrical and electronics group, *reported a rise of 8 per cent to DM859m* ($521m) in first-half net profits, with business growing faster at home than abroad. Page 18

**Saddam celebrations:** Iraq is preparing huge celebrations for *the 55th birthday of President* Saddam Hussein, firmly in power in spite the hardships Iraqis face under UN sanctions.

**Europe's big cheese:** Lymeswold, the soft natural cheese once *billed as Britain's answer* to Brie and Camembert, will no longer be made. Page 8

### The Markets

| STOCK INDICES | | |
|---|---|---|
| FT-SE 100: | 2,658.2 | (+15.2) |
| Yield | 4.57 | |
| FT-SE Eurotrack 100 | 1,169.59 | (+2.57) |
| FT-A All Share | 1,282.70 | (+6.95) |
| Nikkei | 17,450.52 | (−91.93) |
| New York: | | |
| Dow Jones Ind Ave | 3,304.58 | (−19.9) |
| S&P Composite | 408.45 | (−0.57) |
| **US CLOSING RATES** | | |
| Federal Funds: | 3⅞% | (3½%) |
| 3-mo Treas Bills: Yld | 3.798% | (3.724%) |
| Long Bond | 98¾ | (99⅞) |
| Yield | 8.106% | (8.036%) |
| **LONDON MONEY** | | |
| 3-mo Interbank | 10¼% | (10⅜%) |
| Liffe long gilt future: | Jun 98¾ | (Jun 98⅝) |
| **NORTH SEA OIL (Argus)** | | |
| Brent 15-day | $ | (18.85) |
| **Gold** | | |
| New York Comex | $ | (337.5) |
| London | $335.9 | (335.55) |

| STERLING | | |
|---|---|---|
| New York: | | |
| $ | 1.7785 | (1.7727) |
| London: | | |
| $ | 1.7795 | (1.772) |
| DM | 2.9375 | (2.925) |
| FFr | 9.9075 | (9.8825) |
| SFr | 2.7225 | (2.715) |
| Y | 236.75 | (238.5) |
| £ Index | 92.8 | (92.3) |
| **DOLLAR** | | |
| New York: | | |
| DM | 1.65465 | (1.651) |
| FFr | 5.578 | (5.5725) |
| SFr | 1.5235 | (1.529) |
| Y | 133.015 | (134.5) |
| London: | | |
| DM | 1.651 | (1.6505) |
| FFr | 5.5875 | (5.5775) |
| SFr | 1.5285 | (1.5325) |
| Y | 133.1 | (134.55) |
| $ Index | 64.8 | (64.9) |
| Tokyo close Y 133.85 | | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Austria | Sch30 | Hungary | Ft162 | Malta | Lm0.50 | S.Arabia | SR9.00 | | |
| Bahrain | Din1.000 | Iceland | IKr180 | Morocco | MDh11 | Singapore | S$4.10 | | |
| Belgium | BFr60 | India | Rs20 | Neth | Fl 3.50 | Spain | Pta200 | | |
| Cyprus | C£1.00 | Indonesia | Rp3800 | Nigeria | Naira20 | Sweden | SKr14 | | |
| Czech | Kcs35 | Israel | Shk5.50 | Norway | NKr15.00 | Switz | SFr3.00 | | |
| Denmark | DKr14 | Italy | L2500 | Oman | OR1.20 | Thailand | Bht50 | | |
| Egypt | E£4.00 | Jordan | JD1.20 | Pakistan | Rs35 | Tunisia | Din1.000 | | |
| Finland | FM10 | Korea | Won 2500 | Philippines | Pso45 | Turkey | L6000 | | |
| France | FFr8.00 | Kuwait | Fils.500 | Poland | Zl 18,000 | UAE | Dh9.00 | | |
| Germany | DM3.30 | Lebanon | L£1,250 | Portugal | Es180 | | | | |
| Greece | Dr250 | Lux | LFr60 | Qatar | QR10.00 | | | | |

## Unions demand full payment of claim as Kohl backs up employers

# Strikers halt German services

**By Christopher Parkes in Bonn**

THE GERMAN government stood its ground yesterday as the main public sector union called 75,000 workers out on strike, crippling local transport in several important cities, and prepared to bring other services to a halt.

Chancellor Helmut Kohl *said* the employers' final 4.8 per cent pay offer had his "full support", and that he was unable to improve on it. But as he spoke Mrs Monika Wulf-Mathies, president of the union, the ÖTV, demanded payment of its original 9.5 per cent claim.

*Heartened* by an 89 per cent vote for strike action among her 900,000 members in western Germany, she renounced her earlier acceptance of an arbitration offer of 5.4 per cent.

The weight of voting for strike action, and early signs of good co-ordination among the half-*dozen unions involved, suggest a* hard battle ahead.

The coalition government, racked by economic problems, internal dissent and international criticism of its economic policy, was further shaken yesterday by the surprise resignation of Mr Hans-Dietrich Genscher, the foreign minister.

The government is committed to cutting costs and the record federal deficit. By giving in to the public sector unions, it would be widely seen to be encouraging militancy among private sector workers. IG Metall, the 4m-member engineering union, has already called warning strikes later this week as a protest against the employers' 3.3 per cent pay offer.

*However, the mood among* travellers was generally cheerful yesterday, helped by warm spring weather, and the novelty of the first national public sector stoppages in 18 years.

Federal railway workers block the tracks in front of Germany's new high speed train, the ICE, in Hamburg yesterday

Commuters endured monumental traffic jams or walked or *cycled to work. Traffic flow was* further hampered by widespread and unpunished illegal parking. Striking traffic wardens in Cologne, instead of giving out tickets, papered cars and vans with notes appealing for support.

In Essen, a nurse was dis*patched from a local hospital to* keep an eye on the heavily pregnant bride at a makeshift wedding venue: a bus outside the strike-bound town hall.

The first wave of stoppages in the long-threatened public sector strike was specifically aimed at *public transport. Bus, tram and* underground services were halted completely in 11 cities. Some 15,000 of the 17,500 union members in the Berlin transport service stayed away.

All-out transport stoppages are expected to spread to other areas today, including the industrial *centres of North Rhine Westphalia.*

Further disruption, affecting airports, rubbish collection, ancillary services to schools and hospitals, local and national administration, street repairs and other essential public services will take effect progressively, union leaders warned.

The DPG post office union, meanwhile, yesterday called out 8,500 in key sorting centres. Some 6m letters and packages were reported piled up in Hamburg. Action by signal-box staff disrupted trains in Frankfurt and Dortmund, while the main rail union, GdED, threatened further *escalation in the next few days.*

Traffic in the Kiel canal, connecting the North Sea and the Baltic, was slowed by action among lock-keepers.

The ÖTV itself could not escape the effects of its actions. Telephone lines at its Stuttgart head office were jammed by callers *wanting to know when the buses* would be running again.

It has started the action well armed with about DM600m ($363m) in its strike fund. According to rule-of-thumb estimates, strike pay will cost it DM1m a day for every 10,000 members taking action.

Its last national strike, in 1974, ended with an 11 per cent pay deal. Then, it called out 139,000 bus, tram and train drivers and *rubbish collectors on the first* day. On day two, a further 40,000 members joined in. The employers settled on the third day.

## Bikers beat the stoppages

**By Christopher Parkes in Bonn**

ANYONE unable to postpone a visit to western Germany this week would be well advised to take along a folding bicycle, strong walking shoes and plenty of deodorant.

Natives in the areas hit yesterday by Germany's first public service strikes in 18 years, arrived at work in a sweat after pedalling or walking to work in more than 20°C temperatures.

Despite widespread disruption of local transport services in many areas, drivers were the most affected as they found themselves trapped in traffic jams.

Air traffic suffered little, although the ÖTV union said it would be "crippled" later. The *first significant disruption is* expected later this week, when support service workers may be *called out.*

Post deliveries were continuing in many areas, although they too are expected to slow down as walk-outs of sorting staff and drivers have their effect.

Directory inquiries was the only telephone service discernibly troubled.

*Berlin* was among those cities to fare worst. Although public transport in the east was unaffected, movement in the west was hit hard by bus and underground stoppages after 15,000 transport depot workers walked out.

Two-hour queues for taxis were reported at east Berlin's Friedrichstrasse local rail and underground station, the former terminus in the days when the *city was divided.* The rainy weather added to the discomfort.

Frankfurt's main railway sta*tion, which handles 300,000 pas*sengers a day, reported traffic flowing but subject to delays.

Pre-strike preparations by the rail authorities, including running trains with only four or five carriages, and allowing only mainline trains in and out, had so far foiled the strikers' immediate aim of paralysing traffic.

Most rail links around Munich kept running – local drivers are civil servants and not allowed to strike – although action by ancillary staff led to delays during the day.

Union officials stressed that worse was to come. "Almost all" public transport workers in North-Rhine Westphalia, the most densely populated and heavily industrialised state, are to join the strike today.

# Chernobyl reactors may be restarted warns Ukraine

**By David Gardner in Brussels**

THE Ukrainian government is considering restarting undamaged nuclear reactors in the Chernobyl complex, site of the 1986 meltdown which is estimated to have led to between 6,000 and 8,000 deaths.

The authorities say they may restart two reactors there unless international help is forthcoming *to install a boiler independent of* the plant to provide heating for the population still working in and around it.

This was revealed yesterday by Mr Carlo Ripa di Meana, the European Community's environment commissioner. He underlined the "high and permanent risk" of Chernobyl-type disasters at other sites in the former Soviet Union.

He was speaking at a news conference following his talks last week in Moscow and Kiev with senior scientists and government officials.

Mr Ripa di Meana said they had provided information on 24 nuclear reactors which needed to be shut down, "several dozen" obsolete nuclear-powered submarines which needed to be decommissioned, as well as unguarded nuclear waste sites.

"The staggering scale of this kind of endeavour will be a matter of survival both for them and for us," Mr Ripa di Meana said.

All four reactors at Chernobyl are shut down, after the melt*down in one reactor six years ago* and a fire in a second reactor last year. Although the Ukrainian authorities intend to close the complex at the end of next year, Mr Ripa di Meana said they were examining whether to use for a year the two reactors that they "consider in relatively good shape".

He said Ukrainian officials were due in Brussels soon to discuss alternatives.

Mr Ripa di Meana said he had returned "shocked" by the nuclear risk in the former Soviet republics: "I think that every night without a problem is a good night. They are aware that at any moment there could be a new Chernobyl."

The priority was to deal with 11 Chernobyl-type reactors in Russia, three in the Ukraine and two in Lithuania, though he also drew attention to four later-generation reactors and four plutonium reactors in Russian military complexes. "They are all using obsolete technology and being managed in a relatively *unsafe and inefficient manner,"* he said.

Mr Yegor Gaidor, Russia's deputy prime minister, calculated the cost of decommissioning the reactors and replacing them with new ones at $1.2bn each, Mr Ripa di Meana said. An alternative was an energy-saving policy, costing about $15bn, that would reduce current energy use by about 25 per cent.

Mr Ripa di Meana lamented that there was no environmental chapter in the EC's technical assistance agreements with the republics. Only Ecu214m ($264m) of this year's assistance package is devoted to the power sector.

# Genscher decision to quit stuns colleagues

**By Quentin Peel in Bonn**

MR Hans-Dietrich Genscher, Germany's foreign minister for the past 18 years, yesterday stunned the political establishment in Bonn by announcing his decision to resign next month.

His move marks the end of an era in German foreign policy, and is likely to cause new strains within the coalition government of Chancellor Helmut Kohl.

Mr Genscher's successor was named swiftly as Mrs Irmgard Schwaetzer50, formerly the state secretary for European affairs, and most recently construction minister. However her automatic appointment - she comes from the same minority Free Democratic party (FDP) as Mr Genscher - was criticised by the Christian Social Union (CSU), the Bavarian-based sister party of Mr Kohl's Christian Democrats (CDU).

The chancellor was obviously anxious to avoid any major cabinet reshuffle at a sensitive time. He faced the simultaneous embarrassment of a second resig*nation, that of Mrs Gerda Hassel*feldt, the health minister, whose closest adviser is being investigated on suspicion of espionage. She was instantly replaced by a CSU colleague.

Only four weeks ago the government was faced by the sudden resignation of Mr Gerhard Stoltenberg, the defence minister, and the most senior CDU Minister after Mr Kohl, in a row over arms deliveries to Turkey.

The chancellor insisted yesterday that the resignations would not weaken his government. He paid warm tribute to the extraordinary service of Mr Genscher, saying his decision to go was entirely personal, and understandable in the light of his long service – 23 years in all as a *cabinet minister.*

"In these 23 years German unity became possible, and also the breakthrough on the way to political union in Europe," Mr Kohl said. "In all of that, Hans-Dietrich Genscher played a decisive part. With his own inimitable personal handwriting, he has written a significant part in the


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CONTENTS

Hans-Dietrich Genscher, Germany's master diplomatist, leaves a legacy of success

# A gap at the high table of power play

**By David Marsh in Strasbourg**

THE CRUMPLED figure of Mr Hans-Dietrich Genscher has haunted the corridors of world diplomacy for so long that his face, like the Cheshire cat's, will take some considerable time to disappear.

Under Chancellors Helmut Schmidt and Helmut Kohl, Mr Genscher honed his skills to emerge as the unsurpassed master of coalition wheeler-dealing. His passion for power play was never put to better advantage than during the helter-skelter international negotiations leading to German reunification in 1990.

The foreign minister built his penchant for jet-travel diplomacy into a personal trademark. His globe-trotting revealed much about his restlessness, but little about the man himself.

Extending the Ostpolitik of Chancellor Willy Brandt, Mr Genscher continued with aplomb this policy of developing links with west Germany's eastern neighbours. Five years ago, he became the first senior western politician publicly to back Mr Mikhail Gorbachev's reform measures in the Soviet Union. Without the bonds of sympathy to Moscow, Mr Kohl and Mr Genscher would never have pulled off German unification quite so quickly.

Despite – and because of – his success, he could never throw off altogether a reputation for putting tactics before principles. Mr Brandt, who resigned as chancellor in 1974, as well as Mr Schmidt, whose downfall in 1982 was due to his foreign minister's decision to back Mr Kohl, both had extensive experience of Mr Genscher's talents for manoeuvre.

He believed deeply in his mission to help restore the post-war credibility of German foreign policy. Ever thin-skinned, he was deeply hurt to be told that, because of his role in toppling Mr Schmidt, he was not trusted by Mrs Margaret Thatcher.

Reunification was his finest hour. Mr Genscher was born in a village outside Halle in eastern Germany and made annual Christmas pilgrimages to his homeland during the years of division. However, like Mr Kohl, he believed he would never live to see the two parts of the fatherland reunited.

After the fall of the Berlin Wall, Mr Genscher realised, with typical alertness, that the opportunity for unity might be short-lived. His resolve to take it was single-minded.

**He could never throw off a reputation for putting tactics before principles**

An emotional high-point came in early autumn, 1989. He stood on the balcony of the West German embassy in Prague to announce the liberation of hordes of east German refugees who had been camping in the grounds, hoping to escape to the west.

After the catharsis of unity, an exhausted Mr Genscher seemed to lose his touch. He failed to recognise the international mood during the approach to the Gulf war last year. At times, it seemed the foreign minister was trying to elevate Germany's absenteeism from the multinational anti-Iraq task force to a higher form of morality.

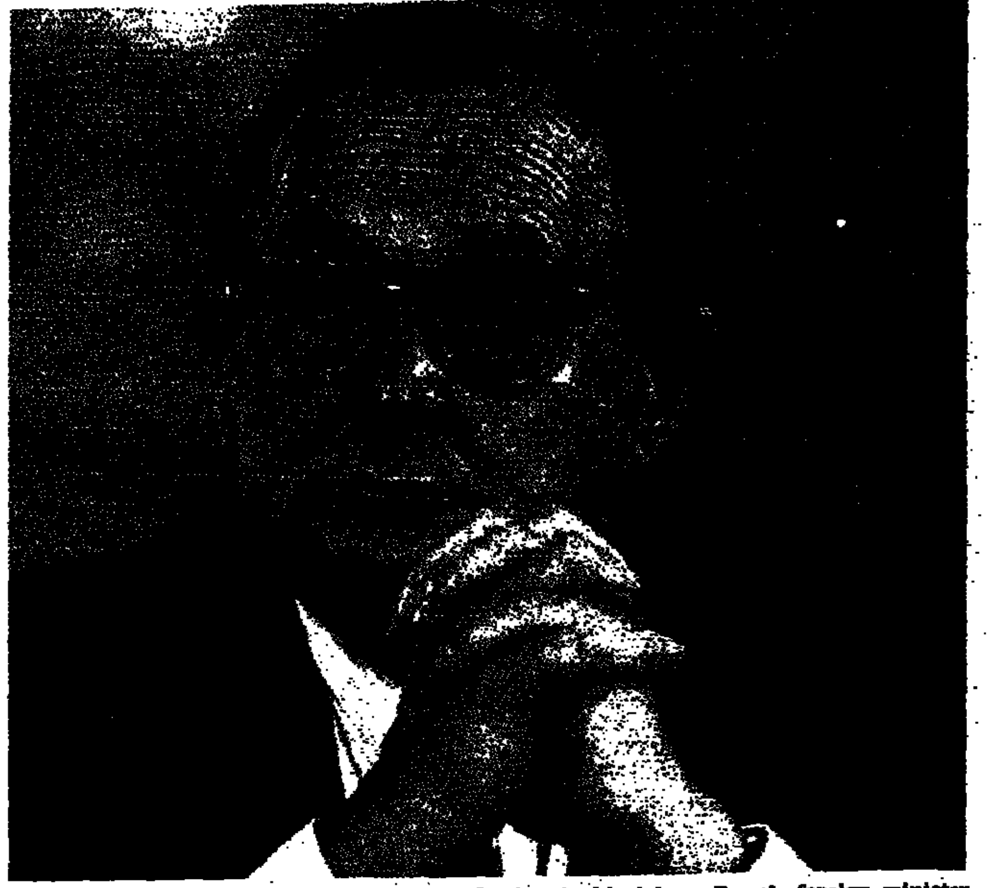
Mr Genscher also clung for longer than others in the west to the belief that Mr Gorbachev would remain in charge of an intact Soviet Union. In view of the hope and the D-Marks invested by the Germans in the Soviet leader, this was forgivable, but it did not improve the reputation of a man famed for deciphering the shifting runes of international politics.

Mr Genscher is a complicated personality, though not quite as complicated as his favoured long strings of high-sounding subordinate clauses can sometimes make him seem. There is a stern touch to him. He adores wise-cracking and carnival festivities, particularly when he is the centre of attention, but instructs his speech-writers never to put jokes into his public addresses.

He once expressed indignation when Mr Douglas Hurd, then Britain's home secretary, made a whimsical remark about modernisation of nuclear missiles in a speech at Dusseldorf. He bears grudges, and remembers favours. He recently indicated to Mr Hurd, now foreign secretary, that, since Germany had helped Britain at the Maastricht summit, the UK should be more supportive of Bonn's controversial line over recognising Croatia.

By becoming foreign minister of a united Germany, he realised his life's ambition. Since he has made the foreign ministry his personal fiefdom by having placed favoured officials in all the key posts, he can be sure that Genscherism will live on, at least for a few more years.

Asked what he would do with more spare time, Mr Genscher once answered that he would re-order the books in his library at home in the hills near Bonn. Perhaps he will write one, too – probably about Genscherism.



Single-minded, thin-skinned, certainly long-lasting in his job as Bonn's foreign minister, Hans-Dietrich Genscher dropped a political bombshell by resigning yesterday

# Schwaetzer emerges from shadow of mentor

MRS Irmgard Schwaetzer, nominated yesterday to succeed Mr Hans-Dietrich Genscher as German foreign minister, is thus designated to occupy the most powerful political post ever held by a woman in Germany, agencies report from Bonn.

Mrs Schwaetzer, aged 50, spent four years as state secretary in the foreign ministry before she became construction minister in Chancellor Helmut Kohl's coalition cabinet in January 1991.

Mr Genscher was her mentor in the Free Democratic Party (FDP), junior partner in the coalition, whose leaders have nominated her to succeed the veteran minister when he steps down in mid-May.

The FDP executive and parliamentary delegation is to approve the choice at a meeting today. Mr Kohl also has a say in the matter, but the chancellor said it was the FDP's right to pick a successor under the terms by which the coalition operates.

Mrs Schwaetzer first rose to national prominence as FDP general-secretary, a post she took after the party had quit a federal coalition with the Social Democrats in 1982 and formed a cabinet with Mr Kohl.

However, her nomination to the foreign ministry was a surprise after several setbacks for her within the party in recent years, including losing to Mr Otto Lambsdorff in a bid for the FDP national presidency in 1988. She had quit as general-secretary in 1984.

Mrs Schwaetzer had campaigned for the party's top job as a reformer who wanted to bring in younger blood and give the strongly pro-business party more of a social conscience.

As construction minister, Mrs Schwaetzer has faced a national housing shortage and steep rent increases in east Germany.

Last October, she was brushing off suggestions that she was seeking to succeed Mr Genscher. "I have my own profile in the FDP, involving social issues," she said.

Mrs Schwaetzer favours a liberal abortion law, contrary to Mr Kohl's conservative Christian Democrats (CDU) and his right-wing Bavarian allies in the Christian Social Union (CSU).

The minister-designate is a trained chemist and a stylish dresser who likes to wear large tortoise-shell glasses. She is married to Udo Phillip, her second husband and a television reporter. She has no children.

# Mercedes Benz to cut workforce by 20,000

**By Christopher Parkes in Bonn**

MERCEDES BENZ, one of Germany's leading car and lorry makers, is to cut its workforce by 20,000 over the next two years, according to Mr Werner Niefer, chairman. "Introducing such a short-term programme is urgently necessary if we are to remain competitive, most notably with the Japanese," he added.

Job cuts were only part of a wide-ranging programme, he said. The model range had to be extended and production methods adapted.

The aim was to cut costs by 10-12 per cent. Other objectives were to increase research and development links with components suppliers, reduce the range of parts used in Mercedes cars and lorries, and improve plant working times.

Reductions in the payroll would come from redundancies, early retirement and natural wastage, Mr Niefer said.

The announcement followed broad hints from Mr Edzard Reuter, chairman of Mercedes' parent, Daimler-Benz. He told journalists in April that the subsidiary had 20,000 excess workers and that it would have to "cut the fat". He suggested then that the cuts would not involve redundancies.

Mr Niefer, who is also Mr Reuter's deputy, said negotiations with unions were continuing, although broad agreement had been reached.

# Serbs proclaim new Yugoslavia

**By Laura Silber in Belgrade and by David Buchan in Brussels**

THE Serbian-controlled parliament yesterday decreed the demise of the Yugoslav federation of six republics and proclaimed a new Yugoslavia within the boundaries of Serbia and Montenegro.

By declaring itself the successor to the federal state, the new Serbian Yugoslavia hopes to avoid the need to seek recognition of its successor status from the European Community and other states.

But EC diplomats, with the exception of Greece, and diplomats from the US and Canada distanced themselves from the new state by boycotting the muted ceremony. It was attended by diplomats from China, Russia and many non-aligned countries.

In Brussels, Community diplomats warned that the issue of the "successor state" was for all republics to decide in the EC-sponsored peace conference, not Serbia unilaterally.

The new state, in which ethnic Serbs make up 62 per cent of the 10.5m population, covers only 39 per cent of the territory of the former federation. It includes 1.8m ethnic Albanians, who form more than 90 per cent of the population of the southern province of Kosovo, and 346,000 ethnic Hungarians who comprise 16 per cent of Vojvodina, to the north. Both gained autonomous status in 1974 under President Tito but lost it under Serbia's President Slobodan Milosevic.

Diplomats based in Belgrade say proclamation of the new state was pushed forward so as to precede tomorrow's session of the Conference on Security and Co-operation in Europe (CSCE) which is set to debate the exclusion of Yugoslavia. The EC and the US have put most of the blame on Serbia for destabilising Bosnia-Hercegovina, which was recognised as independent on April 6.

Outside the parliament, an anti-Communist crowd chanted "red bandits" as the new flag was raised over the parliament which was elected in Communist-run elections six years ago. The ceremony was boycotted by ethnic Albanians.

In an attempt to appease the west, the federal parliament also yesterday hastily adopted a new constitutional law which promises the same respect for human and minority rights as other CSCE member countries grant their minorities.

Meanwhile, as limited fighting continued in the northern and western parts of Bosnia, the republic's president Alija Izetbegovic ordered the Yugoslav federal army to leave.

In Lisbon preliminary and separate talks began between Mr Jose Cutileiro, the EC's special representative, and Serbian and Moslem delegations to the EC-sponsored peace talks on Bosnia-Herzegovina. A Portuguese foreign ministry spokeswoman said a full Serbian delegation and part of the Moslem delegation had arrived during the day, but officials were still awaiting the Croat delegation.

# Poverty brings Tajikistan's political tension to the fore

**By Gillian Tett in Dushanbe**

BIBI PARVINA, a stout, middle-aged Tajik woman, tied her head-scarf, shook her placard and shouted angrily: "This is what we want: Islam, bread, and democracy!"

Her words sum up a set of political demands that are pushing Tajikistan, one of the poorest of the former Soviet republics, into a bitter political confrontation between communists and Islamic political factions.

Tension is rising, with the doubling yesterday of the thousands of demonstrators, both for and against the government, who have taken to the streets of Dushanbe, the Tajik capital. With about 10,000 anti-government protesters camped out in the newly named Martyrs Square, and another 10,000 pro-government demonstrators half a kilometre away in Freedom (formerly Lenin) Square, a long struggle may be under way. Government-sponsored negotiations, begun on Sunday, collapsed yesterday.

This latest round of political conflict in Tajikistan was prompted by the arrest last month of Mr Mahsud Ikramov, Dushanbe's democratic-leaning mayor.

The opposition Islamic and Democratic Party demonstrated to demand the release of Mr Ikramov, suspension of the communist-dominated parliament and resignation of Mr Safarli Kendjayev, the key government figure. The opposition then took hostage 20 parliamentary deputies, later released them, and forced a compromise: Mr Kendjayev resigned and the government promised multi-party parliamentary elections in December.

Mr Kendjayev was then appointed head of the republic's KGB and thousands of his supporters thronged into the capital; this triggered renewed opposition demonstrations.

However, the root cause of the confrontation lies not so much with Mr Kendjayev himself, but in the republic's bitter religious and regional conflicts. His well-organised supporters were brought by bus into the capital. They are bitterly opposed to the republic's powerful religious leader, Kazi Akbar Turanjonzoda, and support Mullah Haidaar Sharis, who is sympathetic to the government. Moreover, they believe that the opposition plans to create an Islamic government.

The opposition, which denies wanting to impose an Islamic government, is a fragile alliance of the Democratic party, supported by many Tajik intellectuals, and the larger, more organised, rural-based Islamic party.

The latter is co-operating with Mr Turanjonzoda and so far has been relatively moderate in its aims. Its leader, Mr Mohammed Sharif, says: "We do not want to create an Islamic state by force. We want an Islamic democracy."

Meanwhile the government's attitude is unclear. Mr Nasrullo Dustuv, the vice-president, says the government wants a peaceful solution but is prepared to use force if necessary. However, the government would have to rely on its own forces, since even Mr Dustuv admits the former Soviet army, now under the control of the new Commonwealth of Independence States, was unlikely to get involved. Moreover, a power vacuum appears to be opening up in the government.

Most government officials insist that the real problem is economic. Mr Latim Kayumov, the foreign minister, believes that when the economic situation improves, the threat of Islamic militancy will vanish.

At the moment, this seems unlikely. Mr Edmund McWilliams, the US chargé d'affaires, admits that the transition to a market economy is likely to be painful in Tajikistan, with its impoverished population, lack of hard currency and grinding budget deficit.

"They have a lot to do, and not very much time. The social and political pressures are rising," he said.



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# Turks pin EC hopes on British presidency

By Robert Mauthner and John Murray Brown in Ankara

TURKEY is putting its faith in the forthcoming British presidency of the European Community to further its ambitions of forging a closer relationship with both the EC and the nine-nation Western European Union (WEU) defence organisation, Mr Hikmet Cetin, Turkish foreign minister, told the Financial Times in an interview.

Though the Turkish government has reluctantly accepted the EC's decision, taken more than two years ago, to put Turkey's application for full membership of the EC on ice for the foreseeable future, it continues to seek early activation of the financial arrangements provided for by the country's 1963 association agreement with the EC. It also wants to be included in the Community's new Mediterranean policy.

Both developments are being blocked by Greece, which is a full member of the EC and can exercise therefore a veto in the community's Council of Ministers. But Greece's attitude is causing increasing irritation in other EC capitals, and Mr Douglas Hurd, British foreign secretary, made clear during a visit to Ankara last week that he wants to "enhance" Turkey's relationship with the community and the WEU.

Mr Cetin recognises that Turkey was unlikely to become a full member of the Community before the end of the century, but he emphasised that, no matter what happened, Turkey would pursue its long-term objective to become "part of Europe and to be in all the institutions of Europe."

He made clear that, important as Turkey's economic relations with the Community were, his government was equally concerned about its future defence relationship with western Europe. He was particularly grateful to Britain and one or two other Community countries for having supported, during the Maastricht treaty negotiations at the end of last year, Turkey's full participation in the WEU. But he was decidedly unhappy about the eventual decision by the Community as a whole to offer only associate membership.

"Turkey has contributed to European defence in the past, and Turkey has also paid for it. We think that Turkey contributed to the ending of the Cold War in this part of the world. Now, it should not be the policy to say to Turkey that it is no longer needed and that Turkey should be given second class-membership. That cannot be accepted," Mr Cetin said.

"Associate membership of the WEU can be accepted by Turkey for a temporary period only if we know that we will become a member of the EC in the future. Just during that temporary period, Turkey can accept associate status, and in that case it will nevertheless expect to participate in all actions of the WEU."

Mr Cetin emphasised his concern at the probability that, if Greece were to become a full member of the WEU and Turkey were given only associate status, the bilateral problems of Turkey and Greece would be transferred to the whole defence organisation.

# ILO fears 10m jobless in Russia this year

By John Lloyd in Moscow

UNEMPLOYMENT in Russia is likely to rise to 10m-11m by the end of this year, according to the first results of a study of Russian manufacturing industries by the International Labour Organisation, one of the arms of the UN.

Other foreign experts in Moscow think the ILO estimates too high although they see unemployment rising sharply, to as high as 6m by the end of December. They believe enterprises will lay off workers less rapidly than the ILO thinks, and that the government will continue to subsidise enterprises in various ways to avoid unemployment.

Officially, more than 100,000 are unemployed in Russia, although Mr Yegor Gaidar, the first deputy prime minister, has also talked of about 6m by the end of the year.

The study covers more than 500 plants in all manufacturing sectors in Moscow and St Petersburg and their surrounding regions. The ILO team has been researching changes on the shopfloor since December.

Mr Guy Standing, leader of the team, said that in spite of strenuous government efforts, unemployment provision, social security benefits, training programmes and labour market policies were rudimentary – hampered by lack of cash, expertise and data.

Deputy Premier Gaidar: talk of big increase

Enterprises have preferred to pile up debts to each other and to banks rather than lay off workers. Even defence plants, seen as among the most vulnerable because of the sharp cut in allocations to defence equipment, have continued to produce, even when uncertain of being paid.

However, Mr Standing said the ILO survey showed that:

- Unemployment in the survey group had risen by about 9 per cent in 1991. Many workers had not registered as unemployed partly because they were guaranteed three months severance pay and partly because well below 20 per cent actually received the small amount of unemployment benefit available.
- Unemployment had already hit the most vulnerable and lowly paid, such as women (who make up 40 per cent of the manufacturing labour force) and the handicapped.
- Managers were laying off clerical white-collar staff, and technicians and specialists – many with higher education – while skilled manual workers were still in demand.
- Wages had risen strongly in the manufacturing sector, though, in many instances, managers and workers colluded in avoiding the high wages tax of last year (since reduced) by paying workers wages in kind – usually in food supplies.
- Though there are signs of more market-orientated behaviour, there was still no clear relation between falling sales and reductions in staff.

Rouble fund, Page 6

# Dutch tax burden criticised

By Ronald van de Krol in Amsterdam

THE DUTCH central bank yesterday praised the government for having cut the budget deficit, but criticised the way the reduction was achieved.

Mr Wim Duisenberg, the bank's president, said the government was relying too heavily on raising tax revenues through such indirect levies as increased taxes on petrol and natural gas. Another factor behind the decline in the financing deficit was an accelerated programme of tax collection.

"There is but one road towards the restoration of a fundamentally sound state of public finance: bringing down the share of public expenditure in national product," he told a news conference.

In 1991, the budget deficit eased to 3.75 per cent of gross national product, below the government's target of 4.25 per cent, and is expected to drop to 3.25 per cent this year.

However, by the end of its four-year tenure in office in late 1993, the centre-left coalition government of Mr Ruud Lubbers would have exceeded its original projections for tax revenue in the period by Fl 10bn (£3.05bn), Mr Duisenberg said. In the same period, social insurance premiums would have generated Fl 3.5bn more than planned in 1989.

This trend reduced the purchasing power of consumers and the profitability of Dutch companies and ultimately exerted negative pressure on economic growth, he added.

On Friday, Mr Lubbers, who leads the Christian Democrats, said he accepted that the budget would lead to a 1 per cent decline in the purchasing power of the lowest-paid in 1993, while medium- and higher-income households would gain by 1.5 per cent and 1 per cent respectively.

# Investments prove something of a mystery to puzzled Czechoslovaks

**Ariane Genillard** writes from Prague on a mass privatisation scheme

MR JOSEF MACHACEK scratches his head, picks up his pen, ponders for a while, puts it down and sighs. "It's like falling into a black hole," says the 51-year-old repairman from his small iron chair in Prague's crowded central post office. "You have no information, and you just don't know what to do."

Holding a small yellow booklet of vouchers, which he bought recently, as did 8m other Czechoslovaks to participate in the mass privatisation scheme launched by the government this year, he peers anxiously around the room.

On both sides of him, people are forming long queues to register their booklets with one of the 500 private investment funds which have mushroomed in the country to benefit from privatisation.

Sunday was the last day for citizens to decide whether they would invest their vouchers directly in companies or subscribe to an investment fund. Under the Czechoslovak privatisation programme, more than 2,000 enterprises will distribute the bulk of their equity this spring to those people who paid a small fee to buy their voucher books.

However, with little information available on individual companies, and only three more weeks available to bid for them singly, Czechs and Slovaks hurried to post offices last week to register with one of the investment funds which offer to help investors choose.

Officials predict that at least half of the investors will subscribe to a fund rather than try to invest their vouchers directly.

Then again, the choice of a fund often remains arbitrary. At the central post office in Prague, most admit to last-minute decisions.

"I found this advertising leaflet in my mail this morning," says Ms Jindra Justova, a 50-year-old mathematical analyst. "It's a lottery anyway. Even if you were given information on enterprises and chose to invest your vouchers yourself, do

**'It's a lottery. Do you really think you could trust this information?'**

you really think you could trust this information?" she asks before joining the queue.

For weeks now, the government has promised to give future investors the financial details of enterprises so as to facilitate choice.

Some information has been published in the press in recent months, showing companies' income figures and privatisation plans – but these are only a fraction of the 2,000 enterprises involved in the voucher scheme.

A complete list of them, recently published by the privatisation ministry in the Czech republic, is nowhere to be found. "It's sold out – sold out in one day," explains the post office clerk. Even at the ministry, the list cannot be obtained.

When Mr Jaroslav Lizner, an official at the federal finance ministry finally found a copy for the Financial Times, all it showed was a list of enterprise names and their asset values.

"Its like a sport," reckons Mr Jiri Sladek, an army technician. "I just decided to put all my vouchers into a fund set up by a major bank. That should be safe."

Behind him, Mr Jiri Davidek, a 55-year-old actor, adds with an amused look in his eyes: "I put them in a fund called the Fund for Retired People. At least that's one thing I am sure of – I'll retire soon."

Investment funds set up by main banks are attracting the most voucher holders, but the wide array of funds offers plenty of choice for anyone who likes a gamble.

The Srejber Tennis Investment Fund, set up by an old Davis Cup player, shows in its advertising brochure a picture of Srejber himself next to Ronald and Nancy Reagan.

On the radio, the Bonton Investment Fund blares advertising songs. Set up by Michael Kocab, a former rock star turned MP after the anti-communist revolution and founder of the Prague Millionaires' Club, the Bonton appeals to young people.

"Michael Kocab made a fortune in the last two years, so he should be able to make me rich in the next two," says Frantisek Houska, a 23-year-old student in jeans and leather who received his voucher book as a Christmas present from his parents. Winking, he opens it at the page where, next to a series of numbers, he has pencilled the code name of the Bonton.

One letter in each box spells TREND.



# Malaysia calls for cash to protect environment

**By Victor Mallet in Kuala Lumpur**

DR MAHATHIR Mohammed, the Malaysian prime minister, declared yesterday that the industrialised world's fear of global environmental damage had given poor countries new leverage to demand assistance for the development of their economies.

Opening a conference of more than 50 developing countries, aimed at forging a common position for the Earth Summit to be held in Rio de Janeiro in June, Dr Mahathir insisted, in a typically combative speech, that the North would have to transfer money and technology to the South if developing nations were to protect the environment.

"It is the rich who must be prepared to sacrifice their progress in the interest of our development," he said.

"The negotiations to prepare for Rio reflect the continuing attempt by the South to bring the North to the table to overcome over four decades of neglect on the growth and development of the South.

"Fear by the North of environmental degradation provides the South the leverage that did not exist before. It is fully justified for us to approach it this way."

Dr Mahathir's statement could provoke charges of ecological blackmail from his opponents. However, he announced simultaneously an undertaking by the Malaysian government to ensure that at least 50 per cent of the country's land area shall remain under permanent forest cover (although that appears to include plantations and is compared with 70 per cent today).

He also challenged his audience of Third World ministers and western observers to adopt "an initiative for the greening of the world" that would increase global tree cover to 30 per cent by 2000 from the current 27.6 per cent.

"All nations must set national greening targets and those which have no suitable land must contribute adequate funds to developing countries with available land," he said.

Malaysia's confrontational stance – one minister this week accused environmental pressure groups in the West of terrorism and likened them to the Nazis – has failed to win the wholehearted support of other developing countries.

Among the industrialised countries, the US has emerged as the most reluctant to commit itself to environmental targets. Yesterday, Mr Robert Ryan, who is overseeing US government preparations for the summit, told a news conference that "consumer sovereignty" was a very important principle.

"We are not going to tell people what they can or can't consume," he said, declining to explain why the US government should control consumption for national health or environmental reasons, but not to help the global environment.

Other rich countries were more conciliatory, admitting that they had mismanaged their own natural resources and agreeing to give developing countries more say in the Global Environment Facility.

# Beijing cautions Patten on tough line

**By Simon Holberton in Hong Kong**

CHINA HAS cautioned Mr Chris Patten, Hong Kong's governor-designate, about trying to act tough with Beijing, and said he should work instead for a smooth transition of the colony's sovereignty to China in 1997.

The Beijing-controlled Ta Kung Pao newspaper said in a commentary yesterday that Mr Patten should take no notice of the "empty comment" in the British press urging him to be tough with China.

"It is far away from the reality in Hong Kong," the commentary said.

This, the most forthright commentary by Beijing to date, follows a cautious welcome given to his appointment by China's foreign ministry spokesman in Beijing at the weekend.

The ministry said it hoped Mr Patten would contribute to the maintenance of the colony's long-term stability and prosperity, and to a smooth transfer of power in 1997.

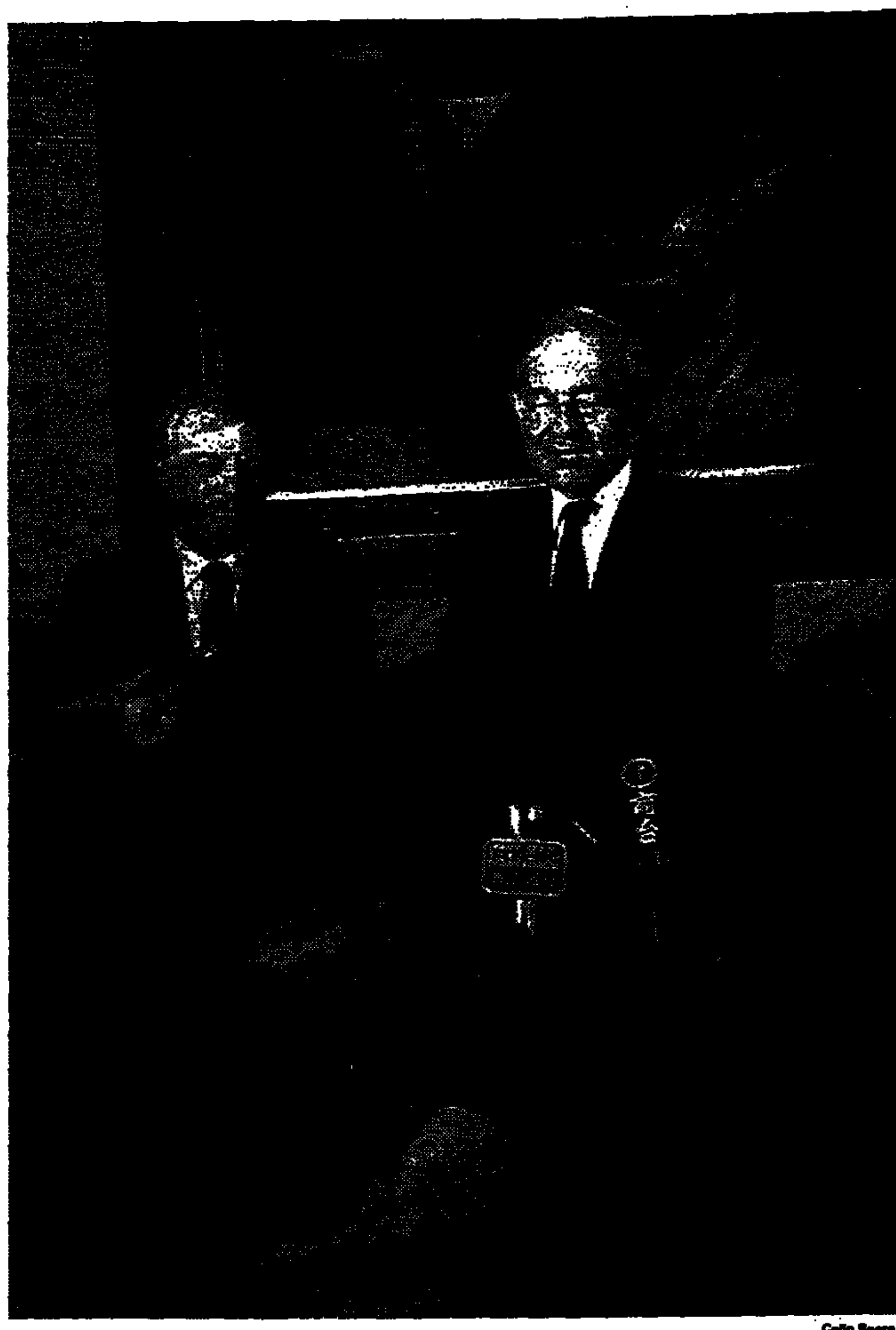
Improvement of relations with China will be one of Mr Patten's most pressing challenges when he arrives in the colony in July.

He will find that Beijing is seeking an ever-larger role in the colony's affairs while it is dragging its feet in bilateral talks about the transition from British to Chinese sovereignty.

Ta Kung Pao said that Mr Patten's real achievement as Britain's last governor of the colony should be in co-operation with China to achieve a smooth transition for Hong Kong.

"From Mrs Thatcher to John Major, British prime ministers have successfully resolved Hong Kong problems on the foundations of the Sino-British Joint Declaration and co-operation with the Chinese government. It has nothing to do with attitudes."

Months of speculation over the successor to Lord Wilson, the colony's present governor, were ended on Friday when Mr Major announced Mr Patten's appointment to the governorship. He will be the colony's 28th British governor.



Colin Beere

Chris Patten with his predecessor, Lord Wilson, at the British Foreign Office yesterday

# Hyundai shares sale probe

**By John Burton in Seoul**

SOUTH KOREA'S Securities Supervisory Board (SSB) yesterday said it would investigate the sale of shares in companies from the Hyundai group, the country's second biggest conglomerate, by Mr Chung Ju Yung, its founder.

The investigation involves a Won172bn (£126m) sale of shares in unlisted group companies that Mr Chung offered to employees in January. Mr Chung used the proceeds to finance his new anti-government political party, the Unification National Party (UNP).

Mr Chung is alleged to have violated trading rules by having sold the unlisted shares and collected the proceeds prematurely.

The sale of unlisted shares must not take place until 20 days after the authorities are notified, but the SSB suspects Mr Chung conducted the sale during the mandatory waiting period.

Although the case is considered only a technical violation of share trading rules, the government has been strictly interpreting financial rules pertaining to Hyundai, as part of its recent political conflict with Mr Chung.

He sold some of his shares in Hyundai Heavy Industries, Hyundai Elevator, Hyundai Housing & Development, Hyundai Merchant Marine and Koryeo Industrial Development. Of the 130,000 workers who took up the offer, employees of Hyundai Motor and Hyundai Precision & Industry were among the biggest purchasers of the shares. The SSB investigation will involve all seven companies.

The case stems from a recent investigation of Hyundai Electronics Industries (HEI) by the Office of Bank Supervision to determine whether it illegally used bank loans to finance the UNP.

# Sharon attacked over push for homes

**By Hugh Carnegy in Jerusalem**

ISRAEL'S frantic drive led by the hardline Mr Ariel Sharon to provide housing for a flood of immigrants from the former Soviet Union was attacked yesterday for being ill-planned, sometimes illegally executed and for wasting millions of dollars of public money.

A report by the State Comptroller, which severely embarrassed the ruling Likud party two months ahead of a general election, also accused senior housing ministry officials of abusing personal expenses, channelling contracts to companies run by Likud members and throwing a party for Likud activists.

Mr Sharon, long a controversial figure who has used his position as housing minister to spearhead a big increase in Jewish settlement in the occupied territories, said in his defence that he had achieved the priority of overcoming a housing emergency caused by the arrival of 400,000 immigrants since late 1989. Any instances of corruption or wrongdoing would be investigated.

But the report fuelled criticism that special powers given to Mr Sharon had led to excessive building and gross overspending, inflating overall budget deficits at a time when the economy was stagnating.

The report said: "From the economic and financial point of view, it seems the use of public money was not made subject to the proper checks and balances, and considerations of efficiency and savings were not the guiding line for decision makers."

It said Amidar, the public corporation responsible for housing immigrants and the homeless, lost Shk54m (£13m) last year through failing to fill new apartments. Meanwhile Amidar continued to buy hundreds of temporary mobile homes "at great cost" for which sites were not prepared and which also remained empty.

In one case, the ministry ordered mobile homes from a newly formed company without checking whether it had the means to deliver. The company's chief executive was a member of the Likud central committee.

# Chinese rediscover their taste for the turf

**By Yvonne Preston in Beijing**

A BAN of more than 40 years ended yesterday with China's first horse race meeting since the communists came to power being held in the southern city of Guangzhou.

Horse racing was banned after the communists had labelled gambling one of the seven evils, along with prostitution, slavery, kidnapping, drugs, pornography and feudal superstition.

The meeting yesterday left a young worker from a city tax office richer by 50,000 yuan ($12,500), but not from backing winners.

Guangzhou's officials have got round the problem of gambling by charging 50 yuan ($12.5) for entry tickets which carry chances to win cash prizes based on the results of races. The number of this winning ticket corresponded to the numbers of the fastest horses in the first four heats in order.

"It is completely different from the gambling in Hong Kong races," said Wei Zhenlan, director of the Guangdong Province Sports Commission, quoted in a front-page report in China Daily yesterday. "Instead of gambling, the prizes are the only way to attract people to the race," he said.

A total of 5,000 tickets for the six-race meeting were sold, creating a dividend pool of 250,000 yuan. About 60 per cent of the gate money was distributed to the holders of winning tickets.

Guangzhou's Huangchun course is on a former airfield built by the Japanese in the 1940s.

Forty-seven jockeys from Hong Kong, Guangdong, Mongolia and Xinjiang took part. A six-year-old Mongolian pony took top honours, winning the Jimma (Golden Horse) Racing Championship.

Major General Guy Watkins of the Royal Hong Kong Jockey Club declared the event a great success. He told China Daily: "I've been to many cities where amateur races are held, but the people did not have as much fun as they are having here."

The booming city of Guangzhou has once again beaten the port city of Shanghai to the post. Shanghai's Liberation Daily newspaper announced on Friday that the city would allow horse-racing for the first time since 1949.

A Shanghai business group has agreed with a Japanese consortium to build a $10m racecourse for the city. The track will accommodate 10,000 people and use electronic equipment from Japan. No date has been given for racing to begin, but Shanghai was a centre for horse-racing between the world wars.

# Sumo star row grows

AMERICAN sumo star Konishiki, whose chances for promotion have been as closely watched in Tokyo as Japan's trade balance, publicly denied yesterday he told reporters racism had kept him from the Japanese sport's highest rank, AP reports from Tokyo.

The comments attributed to Konishiki, who real name is Salevaa Atisanoe, caused an uproar last week, prompting Japanese officials to stress no racism was involved. Konishiki said he did not even know some Japanese words attributed to him in one article and had not spoken to the reporter who wrote another. "I didn't say any such thing," he said, referring to the term "racial discrimination" attributed to him.

Japan's mass media weighed in after the New York Times ran a story attributing similar remarks to the wrestler, based on a phone interview. Konishiki denied he had spoken to the Times' reporter, saying another wrestler had impersonated him on the phone. Nihon Keizai stands by its story; the New York Times says it is unsure whom it interviewed.

# Israel, Arabs urged to work on differences

**By Our Middle East Staff**

ARAB and Israeli delegations resumed peace negotiations in Washington yesterday, with the US administration urging them to worry less about public posturing and to focus more on narrowing the differences that separate them.

The talks are likely to be the last round before Israel holds general elections on June 23. Members of the Israeli delegation said, however, that they were prepared to fit in a further round before then. It has been agreed that negotiations will move to Rome after Washington.

Mr Edward Djerejian, US assistant secretary of state for near eastern affairs, told the delegations that they had had ample time to assess their positions. "The work at hand is to focus on those differences that need to be narrowed," he said. "They have got to get on with it, and we hope to see that in this round."

Dr Hanan Ashrawi, the Palestinian spokeswoman, told reporters: "We are absolutely determined this time. We are going to achieve something substantive."



# Seeking a growth path out of apartheid

**Philip Gawith on the minister charged with facilitating the economics of transition**

IF OFFERED an hour with the cabinet minister of their choice, most South African businessmen would probably choose Derek Keys.

The combination of a successful private sector career, an engaging though forthright personality, and stewardship of a ministry critical to South Africa's hopes for economic growth are the reasons Mr Keys would probably be placed ahead of other influential figures, including (until his resignation at the weekend) Mr Barend du Plessis, the finance minister.

Indeed, there is already speculation that Mr Keys might succeed Mr Du Plessis, who stepped down pleading exhaustion after eight gruelling years.

Many in the business community, however, would want Mr Keys, minister of trade, industry and economic co-ordination, to stay where he is.

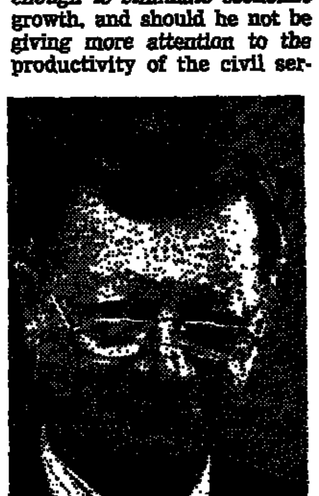
Mr Du Plessis' resignation in effect marks the end of an era of siege economics. Now the priority is growth. Nobody disputes that if political transition is to succeed, the economy will have to be put onto a higher growth path to arrest the trend of declining living standards.

Three months into his tenure at trade, industry and economic co-ordination, Mr Keys has begun to elaborate how he is approaching his task. He brings to it the same minimalist style which characterised his time as chairman of the mining house Gencor.

In his maiden speech to parliament, Mr Keys said the issue he was prepared to become obsessed by – and the reason for his accepting the job – was how to raise the level of investment in new productive capacity, as a means of stimulating growth and job creation.

The premise of his analysis is that the South African economy is basically sound and hence does not require dramatic measures to put it on to a higher growth path. What is needed, he argued in an interview recently, to realise this latent potential is investor confidence. Mr Keys believes this is essentially the province of the private sector. He singles out only two tasks here for government: that it should be consistent and transparent in its policies, and that it should be seen to be going in to bat for local business abroad.

Two concerns arise about this analysis. Is Mr Keys doing enough to stimulate economic growth, and should he not be giving more attention to the productivity of the civil service, and of government spending in general?



Keys: two concerns

Mr Keys certainly has support for his "steady as she goes" approach. Mr Michael O'Dowd, executive director of Anglo American Corporation, the country's biggest business group, argued recently that "So far from being a 'basket case', the performance of the South African economy in conditions of great adversity has, in recent years, been most impressive." He says, and Mr Keys would agree, that what is needed is more of what is already under way: reduction of tariffs to boost exports, deregulation and a lowering of inflation.

Certainly, those looking for a package of stimulatory measures from Mr Keys are going to be disappointed. Although he accepts the case for a downward trend in tariffs, he is not planning any dramatic cuts, arguing that the country's tariff barriers, in general, are not high.

He does not give much prominence to privatisation, saying that there are not suitable candidates at the ready, and is silent on the issue of tax reform, though the government is committed to lowering corporate and individual tax rates.

On industrial policy, he prefers the idea of an incremental approach, "choosing winners", rather than blanket measures to stimulate industry.

Mr Keys argues that a shopping list of policy initiatives is unnecessary. "The economy is as strong as a horse, but it's got too many jockeys at the moment. Government is sitting facing forwards, hoping the horse will start off moving. The ANC is on it, facing backwards, trying to get the horse to move backwards. Cosatu (the country's dominant union grouping) is sitting on sideways, hoping to claim the credit regardless of whether it goes forwards or backwards. The private sector is standing holding the horse's reins, but it is bemused by what is happening on top of the horse. I see my job as simply persuading the private sector to start putting one foot in front of the other and to start leading the horse, regardless of what the jockeys think they are doing."

Despite the confusion among the jockeys, Mr Keys believes there is a "remarkable degree of economic convergence" between the main political actors. His sanguine view of South Africa's future economic policy is based on the belief that there is growing consensus across the world about what constitute sound economic policies.

"We're in a world which is founded on those principles and to key an open economy like South Africa's into that world pretty well determines what kind of internal policy you're going to have."

On discordant noises continuing to emanate from the ANC about economic policy, Mr Keys says: "There has never been an unsatisfactory statement out of the ANC in a situation that has involved dialogue. Wherever there has been dialogue we've found that people can get onto the same wavelength."

Pressed as to how the government would respond if, for example, the ANC remained committed to nationalisation, Mr Keys suggests that this could delay the arrival of a transitional government.

Perhaps a more important concern is supervision of state spending and the civil service. Mr Keys's predecessor Wim de Villiers had authority over these areas, but they are not part of Mr Keys' portfolio and he believes his energies are better harnessed elsewhere. But there is still widespread consensus that the state is getting poor results for the money it spends.

There is, of course, good reason for Mr Keys not to become involved in any overhaul of the civil service. It is a political hot potato: it is dominated by Afrikaners, and any programme to axe jobs would be painful for a government already concerned by the erosion of support among its traditional supporters.

Many would argue, however, that the government cannot allow possible achievements on the growth side of the economy to be undermined by overspending in the state bureaucracy.

## FAR RIGHT EDGES TOWARDS NEGOTIATIONS

SOUTH AFRICA'S ultra-right Conservative party has taken a step towards negotiations on a post-apartheid constitution, following its decisive defeat last month in the all-white referendum on political reform, Patti Waldmeir writes from Johannesburg.

However, the party yesterday expelled its most enthusiastic supporter of negotiations, Mr Koos van der Merwe, a maverick MP who has argued for immediate participation in constitutional negotiations.

The move illustrates the realignment in white politics since the referendum, in which the ruling National party gained an overwhelming mandate to abolish apartheid. With the first South African multi-racial elections expected to take place by early next year, white politicians are jockeying for position. Last week, five members of the Liberal Democratic party joined the African National Congress, while the Conservative party has so far expelled two moderate MPs.

At a caucus meeting over the weekend, the Conservative party decided to enter talks with the National party on setting up a white state, or volksstaat. This would be the first step to entering negotiations in the multi-party Convention for a Democratic South Africa (Codesa).

It is understood that the pro-negotiation faction in the Conservative party has gained an advantage over hard-liners, who refuse to negotiate about anything other than white self-determination.

The party said Mr van der Merwe, who has long favoured negotiations, was expelled for repeated breaches of party discipline. During the referendum campaign, he advocated policies in sharp contrast to the official party platform.

Several Conservative MPs are believed to support Mr van der Merwe's position, but it is not clear whether they will now join him to form a right-wing party which would eschew the more radical Conservative policies.

# Sudan agrees to peace talks

THE Sudanese government, fired by a string of military victories, has agreed in principle to hold peace talks with southern rebels in the Nigerian capital Abuja on May 24, Reuter reports from Khartoum.

Government forces have recaptured several southern towns over the last seven weeks in their biggest offensive since 1983.

# Mali poll victory

Mr Alpha Konare, a former history teacher, easily won Mali's first democratic presidential election, taking almost 71 per cent of the vote, according to Mali Radio, AP reports from Bamako.

NEWS: WORLD TRADE

# 'Textbook' pact cuts US-Canada beer trade curbs

By Bernard Simon in Toronto

THE North American beer market is expected to become more competitive and more integrated, after a landmark US-Canada agreement to dismantle several long-standing trade barriers.

The agreement, the culmination of years of wrangling, is widely seen as a textbook example of the potential benefits of liberalised trade to business and consumers. The compromise was reached last weekend after each country had threatened to impose stiff duties on beer imports from the other. Mr Peter Clark, an adviser to the Brewers' Association of Canada, said yesterday the changes would mean significant economies of scale in the Canadian industry.

By giving US brewers easier access to the Canadian market, the agreement steps up pressure on Canadian provinces to drop restrictive practices which have contributed to high costs for Canadian brewers. Lower production costs would enable the industry to bring down domestic prices, and spur it to expand export markets.

Under the agreement, Canadian provinces will drop discriminatory mark-ups on US beer by June 30. British Columbia, Ontario, New Brunswick and Newfoundland will also no longer set a minimum price for beer imports, linked to the minimum for domestic brands. Ontario is to rescind its requirement that US beer be sold only in six-packs. A key element of the pact will require beer stores in Ontario and British Columbia, and grocery stores in Quebec, to start stocking US beer by September 30, 1993. Imported beer is now sold only through provincially owned liquor outlets.

US brewers have only a 3 per cent share of Canadian consumption, but US beer is about 30 per cent cheaper in the key Ontario market than Canadian brands. By gaining access to beer stores, the US makers will be able to compete more directly against Canadian beer.

The cost discrepancy is largely due to provincial rules barring sales of any domestic beers not produced in the province. These curbs are expected to end on July 1. Meanwhile, the industry is pressing for permission to rationalise production of individual brands across the country. Brewers are also pressing barley producers for lower prices, and asking the federal government to improve their cash flows by changing the point at which excise taxes are levied.

The Canadian industry hopes the accord will speed talks to end US federal and state curbs against foreign beers. These include discriminatory excise taxes and onerous distribution requirements. A Gatt panel, responding to complaints by the EC and Canada, has called for these barriers to be scrapped.

# Iran Air orders Airbuses

IRAN Air has ordered two Airbus Industrie A300-600R airliners worth an estimated $171m (£96.6m), its first order from the European consortium since the 1979 Islamic revolution, Airbus said yesterday, Reuter reports from Paris.

The sale could clear the way for more aircraft orders by Iran, which has not bought any large western-made commercial aircraft since the 1970s.

The aircraft will be equipped with CF6-80C2 engines made by General Electric of the US.

An Airbus official said the order had been approved by the US, which last year blocked efforts by Iran to buy four British Aerospace aircraft.

"Hopefully, the US approval is a sign of a change in US policy in this area," a Boeing official said.

Another industry official said Iran "desperately needed to renew their aircraft fleet. Most of their equipment is from the 1970s".

# US, Japan closer to machine tool deal

By Nancy Dunne in Washington

THE US has agreed with Japan key elements for phasing out by the end of 1993 "voluntary" quotas on machine tools, the US trade representative's office said yesterday.

The deal comes after five months' talks following the announcement by President George Bush in December that the industry, which he said was vital to national security, should have another two years of quotas.

In 1986, Japan and Taiwan agreed to limit their exports to their 1981 market share in several categories of machine tools. Both governments, especially Taiwan, have been less willing this time. A Japanese official said Tokyo would sign only after the US had agreed a similar pact with Taiwan.

Under the pact, Japan will keep its US market share for numerically-controlled lathes, machining centres and numerically-controlled punching and shearing machines to the present level this year, limiting any increases to 2.31-2.8 percentage points next year, Japanese officials say. Under the 1986 pact, Tokyo limited its market share to 57.47 per cent (lathes), 51.54 per cent (machining centres) and 19.25 per cent (punching and shearing machines).

An Association For Manufacturing Technology official said the pact with Japan was expected to provide leverage for a Taiwan deal. Extra pressure is being supplied by Congress.

The arrangement would allow imports from Japan to rise over their 1987-91 Voluntary Restraint Agreement levels by 264 units in 1993, with two-thirds of the increase coming in the second half of the year. Included in this would be 125 lathes, 119 machining centres, 14 punching and shearing machines and six milling machines.

Two senators and two congresswomen have introduced legislation to freeze quotas at their original levels, but in its present form, the bill has little chance of passage.

# Vietnam lacks the power to lure investors

## Electricity shortages top list of foreign companies' complaints, writes Victor Mallet

FOREIGN companies seeking to profit from Vietnam's economic reforms are beginning to place electricity shortages at the top of their list of complaints that already includes bureaucracy, corruption, an economic embargo by the US and a rudimentary legal system.

In the south, where the dry season is coming to a close and hydroelectric plants are running out of water, businesses have to survive four days or more a week without power from the local electricity grid.

Vietnamese officials are aware of the impact the power shortage is having on their efforts to attract more foreign capital, particularly since four-fifths of planned investment in Vietnam is in the more entrepreneurial south.

"Lots of companies come to the south but have no power," said Mr Pham Dac Duyen, deputy director of the state committee for Co-operation and Investment in Ho Chi Minh City.

Short-stay visitors might not notice. Hotels are allowed electricity all day, every day, although the Saigon Times weekly magazine reported recently that there appeared to be no legal basis for this privilege. "How to get priority for electric power supply is a secret only we know," it quoted a hotel manager as saying, "so do not put it in your paper."

The magazine reported that 160,000 workers had been laid off in Ho Chi Minh City and said some companies, including a paper mill and a plastics factory, had failed to meet their orders on time. Mr Nguyen Duy Le of the local branch of Vietnam's Chamber of Commerce and Industry said: "It's keeping foreign investors away."

Both the government and the private sector have adopted stop-gap measures. The authorities are negotiating to buy gas turbines and renovate ageing thermal power stations, and small companies are resorting to imported second-hand generators.

"There's enough loose cash around for people to buy a generator and run a factory of 40 people," said one banker in Ho Chi Minh City, boasting that he bought a powerful but noisy machine for a mere $2,000. A Taiwanese joint venture constructing Vietnam's first export-processing zone is said to be considering the purchase of a decommissioned power plant from China through a Hong Kong company.

A modernising Vietnam is finding itself short of energy

In an attempt to end the power rationing in the longer term, the Hanoi government started construction this month of a 1,414km, 500kV power line to take surplus electricity from the north down the narrow backbone of central Vietnam to the south.

The $300m line is supposed to be completed by the end of next year, although Vietnamese officials say privately that the end of 1994 is a more realistic target.

Another big project is the proposed construction of a $300m gas pipeline from the southern offshore White Tiger oilfield to the coast by a joint venture between PetroVietnam, the state oil company, and Canadian partners Liquigaz and SNC-Lavalin. The gas from the oilfield, now flared and wasted, would be used to supply power stations in the south.

Both the electricity line and the gas pipeline need foreign finance, which is difficult to secure while Vietnam remains in arrears on debt repayments, and while the US maintains its economic embargo and vetoes the disbursement of funds by multilateral financial institutions.

Even in the north, where electricity generating capacity far exceeds demand, an unreliable distribution system can play havoc with machinery, computers and air conditioning.

"In the north, we have one advantage the south doesn't have," said Dr Luu Bich Ho, economist at the State Planning Committee in Hanoi, in an interview. "The electricity is available all day, except in special cases." A couple of minutes later, the lights went out.

# France pays less over export losses

THE French government paid FFr9.05bn (£910m) net to exporters last year to cover losses on state-guaranteed contracts to foreign clients unable to pay. This was down from FFr11.5bn in 1990, William Dawkins reports from Paris.

This also reflects a decline in exporters' claims for unpaid bills in global trouble spots, plus a rise in the cash recovered from clients in default, said Compagnie Française d'Assurance pour le Commerce Extérieur (Coface), the French state-controlled export credit agency.

Coface, which handles payments on medium-term and some political risks on the state's behalf, said net claims on government-guaranteed contracts were running at about the same rate as last year. They could reach anything between FFr6bn and FFr12bn, depending on the outcome of a few large contracts in Latin America and the Maghreb, Mr Philippe Rémond, agency director-general, said.

Coface yesterday showed stagnant net profits of FFr142m on its own operations, mainly insurance of short-term credits and political risks in stable industrial countries, which it insures on its own account, with no state guarantee. Mr Pierre-Yves Cossé, a former executive of Banque Nationale de Paris who became Coface chairman last October, said the results compared well with competitors in a tough trade year. The group was capable of taking on more business now covered by the state on the grounds that it was thought too risky for commercial insurers.

Coface started taking on political risks, such as nationalisation, in the EC (previously state-guaranteed) last year. It went further this year, to insure against political risks in all members of the Organisation of Economic Co-operation and Development (OECD) except Turkey, and to guarantee exchange rate losses on foreign trade flows.

Coface has surprised competitors with its recent aggressive expansion, with its purchases over the past year of 3 per cent in Trade Indemnity, the UK insurer, 25 per cent in La Viscontea, the Italian credit insurance group, 16.5 per cent in Unistrat, a political risks insurer, and 45 per cent in Forex Finance, a French adviser in treasury management. It has made joint ventures in commercial information with Austrian and German partners, to boost its east European debt recovery.

The strategy was to turn Coface into a diversified export finance group, with a full range of services, Mr Cossé said. He warned of a "question mark" over Coface's ability to reinsure risks in years to come because of the turmoil at Lloyd's of London, the main European centre for trade credit reinsurance.

# Scania-Poland bus accord

SCANIA, the Swedish truck and bus maker, has reached an agreement in principle to assemble vehicles in Poland, Kevin Done writes.

It is to form a joint venture with Capena, a Polish company maintaining and repairing heavy buses and special vehicles.

The venture plans to assemble several hundred vehicles a year. Capena, located west of Gdansk, has a workforce of 500. Scania set up an importer/distributor, Eurowax, in Poland last year and has delivered about 150 vehicles there over two years. It has about 8 per cent of the Polish market for imported heavy commercial vehicles.

# G7 places onus of improved world growth on Japan

By Peter Norman, Economics Correspondent, in Washington

JAPAN rather than Germany has become the focus of efforts by other industrial countries to boost world growth, it emerged at the Group of Seven meeting in Washington.

Japanese objections to pressure from the US and others for easier Japanese fiscal policy and lower interest rates delayed the end of the meeting on Sunday by about two hours as Mr Tsutomu Hata, finance minister, and Mr Yasushi Mieno, governor of the Bank of Japan, fought to keep hostile language out of the communiqué.

As is usual when the G7 has differed over policy, the finance ministers of the US, Japan, Germany, France, Britain, Italy and Canada summed up their talks in an elliptical text. In the latest case they omitted to mention member countries by name when outlining desirable policies.

The only country for which the G7 proposed particular policy moves was Russia, which was given detailed instructions on how to reform its economy in a separate statement issued after the 11-hour meeting.

Reading between the lines of the G7 economic communiqué, it was clear that Japan's partners thought Tokyo should do more to boost world growth. They noted that "the decline of the yen since their last meeting [in January] was not contributing to the adjustment process". In an obvious reference to Japanese fiscal policy, they said policy makers in "countries with large surpluses and declining growth... should be mindful of the possibilities of strengthening domestic demand".

This advice fell on unreceptive ears, however. Mr Hata said "additional Japanese measures are not necessary at this juncture and if anything they would become harmful" by fostering inflationary pressures. Mr Mieno said there was no need for Japan to ease credit.

After publicly trading complaints about each other's fiscal policies in the days ahead of the meeting, there was surprisingly little squabbling between Germany and the US in the talks. "We did not feel under attack or on the defensive," said a beaming Mr Theo Waigel, Germany's finance minister, after the meeting.

To some extent, the arguments about Germany's high fiscal deficits had been fully rehearsed ahead of the meeting. In addition, some participants felt it was "bad form" to attack Germany when the government was accepting strike action as the price for resisting high public-sector pay claims. Mr Waigel also has made clear that Germany will clamp down on public spending in the years ahead.

When asked whether Germany would accelerate its fiscal policy actions, Mr Don Mazankowski, the Canadian finance minister, said: "I think that they have... They have announced policies that do just that."

A renewed emphasis on the need for governments to reduce their fiscal deficits was one of the main elements of Sunday's G7 communiqué.

The ministers said it was important "to reduce government demands on private savings to facilitate needed capital spending". They underlined "the need to reduce fiscal deficits in all countries with large budgetary imbalances through credible medium-term consolidation strategies".

In a sentence that applied respectively to the US and Germany, they said deficit reduction was "important both for countries with long-lasting fiscal imbalances and for countries experiencing exceptional adjustment challenges".

In an obvious reference to Germany, they said: "Those countries with large fiscal deficits, relatively high inflation, excessive wage developments and tight monetary policy should follow a balanced policy approach to facilitate improved growth." None of the past week's suggestions from the US and International Monetary Fund that Germany should accelerate fiscal consolidation survived in the G7 text.

In a passage that could apply to the UK, the US or Italy, ministers said: "Certain other countries with large deficits that have experienced weak growth should avoid actions that would jeopardise medium-term efforts to consolidate budget positions."

Using words that could apply to France, the G7 said "appropriate measures should be pursued to enhance medium-term growth prospects while maintaining public expenditures under control" in countries where fiscal balances have been contained and recession avoided.

Correct fiscal policies were cited together with control of inflation and a successful curbing of wage pressures as necessary for lower interest rates. The G7 held back from telling any central bank to alter its monetary policy, however.

The final text also registered a slight increase in G7 optimism about global economic growth prospects.

After their previous meeting in Garden City, Long Island, the G7 ministers had put their concern that economic activity had weakened higher up in the final text than a list of those factors that would foster world economic growth.

This time the order was reversed. The ministers "noted that additional signs of recovery had emerged in some of their countries". However, they were still "concerned that aggregate G7 economic activity this year would be below potential and growth would be inadequate to achieve a reduction in unemployment".

On leaving the meeting, ministers insisted that Sunday's talks built on an existing strategy for strengthening the world economy. "We re-asserted the positions that we took back in January where there would be concerted and positive action taken on the part of all the member countries to promote growth," Mr Mazankowski said.

However, it remains to be seen how far these words will be translated into more growth in the world economy.

# Strict terms for $6bn fund to stabilise rouble

By Peter Norman

THE industrialised nations yesterday approved in principle the setting up of a $6bn (£3.4bn) stabilisation fund for the rouble.

The Group of 10 nations – comprising the G7 countries plus Belgium, the Netherlands, Sweden and Switzerland – said they were willing to activate the General Arrangements to Borrow which would provide the International Monetary Fund with the financial support needed to establish the stabilisation fund.

However, successive ministers, assembled in Washington for the spring meetings of the IMF and World Bank, made clear that the fund and other financial support for Russia and other former Soviet republics would depend on them meeting strict economic criteria.

The need for a comprehensive stabilisation programme was also underlined in the statement issued after Sunday's G7 meeting.

The reform programme provides for:

- Reduction of the budget deficit to stabilise the economy and reduce the role of government.
- Curbing monetary growth to bring inflation under control and stop the extension of credit to unviable enterprises.
- The establishment of the legal framework and contractual rights necessary to permit a market economy to be developed.
- Reform of the agriculture and energy sectors.
- A foreign exchange mobilisation system that enables the independent states of the former Soviet Union to meet their international payments.
- A unified and market-determined exchange rate set at a realistic level.

Meanwhile, in his address to the IMF's policy-making interim committee, Mr Norman Lamont, the UK chancellor, yesterday suggested that the stabilisation fund should boost confidence in the rouble once a sufficiently tight monetary stance in the rouble-zone countries had been established.

However, he said it would be difficult to find a correct parity for the rouble. Decisions also had to be taken as to whether it should float, move in a "crawling peg" of adjustable parities or be fixed. He suggested that the rouble should be pegged to the Ecu as part of the stabilisation programme for the currency – a proposal supported by France.

The chancellor said that Russia needed a macro-economic stabilisation programme to gain control of its inflation, monetary growth and budget deficits.

# Moscow looks at strings attached

By John Lloyd in Moscow

"THE Big Seven demand that Russia legislates for private property," declared the splash headline in the evening paper Izvestia last night. The headline ran above an account of the Group of Seven decision to follow through on its offer of $24bn (£13.5bn) aid to Russia.

Interest in Moscow is focused more on the strings attached to the money and the difficulties of implementing reform than the sum itself.

Izvestia noted: "Since, at the past Congress of Peoples' Deputies, the question of private ownership of land again fell without any decision being made, this hardly makes the work of the Russian government with the IMF any easier."

Even those who welcomed the decisions in Washington stressed that the money came at a heavy price. Mr Feodor Prokopov, first deputy minister of labour, said: "It is very welcome: it is a huge support for the government. But what we must now do will be very hard."

On the other side of the political fence, leaders of nationalist parties – who met yesterday to assess results of the Congress and to promise more active opposition to the government – accused Mr Yegor Gaidar, first deputy prime minister, and his colleagues of crawling to the IMF and the G7 and of being unable to guarantee the money will be forthcoming.

Mr Ilya Konstantinov, a leader of the Christian Democratic Movement and chief economist for the grouping of nationalist parties, said the $24bn was merely a "mythical injection": $6bn was earmarked for rouble stabilisation at a time when the rouble could not be stabilised: $7bn was to cover interest payments on foreign debt (which are not at present being paid); and the remainder was not really committed.

- World Bank governors have approved the membership of 13 of the 15 former Soviet republics, adds Peter Norman. They will vote on membership of Azerbaijan on May 4 and Turkmenistan on May 15.

# Gaidar defends taxes on imports and income

By George Graham in Washington

MR Yegor Gaidar, Russia's first deputy prime minister, warned US businessmen yesterday that his country was obliged to tax imports and foreign residents' incomes.

He said Russia had lifted import duties temporarily during the period of price liberalisation, in order to impose the discipline of import competition on domestic producers who might otherwise have been tempted to raise their prices too much. It was now necessary, he told a meeting at the US Chamber of Commerce in Washington, to reimpose a flat import duty.

"We are not using this import tariff to protect our domestic producers, we just want to raise tax revenue," said Mr Gaidar, who was in Washington to attend international financial meetings.

Russia's new income tax, meanwhile, has worried some foreign businessmen who say they will be unable to move employees to Russia because the new top rate of 60 per cent would be so severe a cost.

Mr Gaidar said the income tax was "a sad story", but necessary to comply with IMF requirements.

Alan Greenspan (centre), chairman of the Federal Reserve, confers with US Treasury secretary Nicholas Brady (left) and Norman Lamont, UK chancellor, during the IMF/World Bank meetings in Washington yesterday

# Painting a picture of pragmatism

## The once-secretive IMF is breaking with tradition and courting the press, writes Michael Prowse

NEW recruits at the International Monetary Fund were once expected to attend a seminar entitled "How to avoid the press". Those days of obsessive secrecy seem to have passed.

At the weekend fund officials broke with tradition by inviting the media to a seminar on the "design and implementation of IMF-supported programmes".

The message was that the modern IMF is not a hard-nosed institution interested only in devaluation and austerity. On the contrary, it is a pragmatic organisation working in partnership with member governments to find mutually acceptable solutions to diverse economic problems.

Officials said balance of payments viability was still the primary objective of most programmes. But this goal was now almost inseparable from the related objective of sustainable economic growth.

Balance of payments viability meant that a country could finance current account deficits on private capital markets while repaying the IMF and other official creditors.

Economic growth was an essential goal as otherwise balance of payments improvements could be sustained only by compressing consumption and investment – something unlikely to be politically acceptable for long. Low and stable inflation, meanwhile, was seen as one of the pre-conditions for steady growth.

IMF staff were anxious to stress several points:

- There is no blueprint or rigid IMF model for achieving these objectives. "Our policies are never off-the-peg, they are always tailor-made," officials stress.
- Policies are not "imposed" on governments. The IMF's role was to help governments design and implement their own policies.
- Income distribution is no longer ignored. Officials are "aware that programmes will have an impact on poor groups" and often advocate stronger social safety nets.
- There is no political bias. The IMF was involved with Hungary and Romania before the collapse of communism and is willing to help socialist countries today.

On technical aspects of programmes, officials denied any bias in favour of devaluation. This was sometimes the only way to shift resources towards export markets, but the likely cost in terms of higher inflation was no longer ignored. Recently, for example in Poland and Czechoslovakia, the IMF had advocated rigid exchange rates or "nominal anchors" as a device for curbing inflation.

On fiscal policy, officials said the IMF was wrongly caricatured as always favouring tax increases as a means of cutting budget deficits. Its focus had shifted to tax reform; it favoured measures to broaden tax bases and often recommended cuts in tax rates.

Staff, however, conceded that many countries had common problems and so programmes were often similar. High inflation and balance of payments crises typically reflected public-sector imbalances – usually excessive budget deficits financed through rapid credit creation.

Such mistakes could only be corrected through deflationary policies.

But the IMF was increasingly trying to address the structural causes of macro imbalances. Budget deficits arose, for example, because governments tried to maintain spending despite stagnant economies.

The solution often lay in tackling the structural causes of poor growth. These included chronically overvalued exchange rates, artificially low prices for key commodities (which discouraged their production); and pegged interest rates leading to credit rationing.

Officials said programmes continued to be tightly monitored, with member governments expected to meet quarterly targets for a range of financial indicators. But they tried to draw the sting of conditionality, stressing that targets were flexible: if slippage occurred for factors beyond borrowers' control, disbursements would not be halted.

The extent to which the new pragmatism is reflected on the ground, in the IMF's 50-odd economic programmes, may be doubted. But the seminar at least helped clarify the IMF's economic aspirations.

Sceptics may detect a whiff of revisionism.

Officials stressed continuity of policies, but a decade ago the IMF was putting far less emphasis on economic growth, structural reforms and social safety nets.

Staff also conceded that the IMF's record could be improved: academic studies indicate Fund programmes often do little or nothing to raise growth or living standards.

# Preston focuses on aid for poor

By Michael Prowse in Washington

MR Lewis Preston, World Bank president, is giving priority to securing additional aid commitments for the poorest countries, in spite of heavy demand for capital from former communist countries.

At the meetings this week in Washington, the bank is trying to persuade governments to support the tenth replenishment of the International Development Association (IDA), its soft-loan affiliate.

IDA loans are available only for countries with per capita incomes of $800 (£452) or less. No interest is charged and maturities extend to 40 years.

"Our objective is to persuade people that IDA Ten has to be significantly better in real terms than IDA Nine," Mr Preston said in an interview.

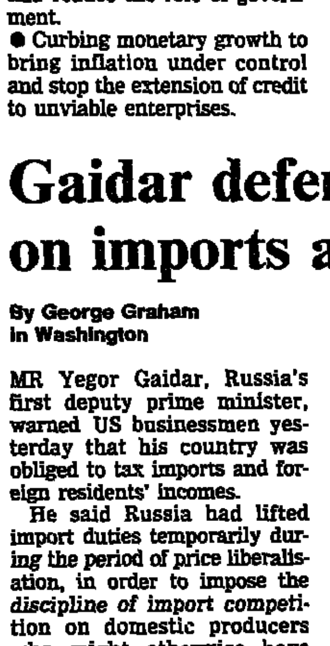
The bank managed to raise $15.5bn for IDA Nine, the three-year replenishment that is to expire in the middle of next year. Mr Basil Kavalsky, the official responsible for raising IDA funds, says that, if the bank is to maintain the purchasing power of programmes, it will need at least $18bn for IDA Ten, which runs from the middle of 1994.

However, $18bn will not meet needs because the populations of IDA countries are rising rapidly and the number of nations qualifying for concessional finance is growing.

To fund new recipients fully on the same basis as existing ones, the bank would need an additional $2.5bn-$3bn, indicating a target for IDA Ten of about $21bn.

- Developing countries cannot be expected to spend as much on environmental protection as rich nations and may have to set up their own regional trade blocs if the Uruguay Round trade liberalisation talks are not concluded soon.

These warnings were delivered by Mr Alejandro Foxley, the Chilean finance minister and chairman of the joint IMF/World Bank development committee, whose meeting today is expected to focus mainly on trade and environmental issues, ahead of the Earth Summit to be held in Rio de Janeiro this June.



Clinton (above) needs clear victory while Brown seems to have lost steam

# The other Pennsylvania primary

## Jurek Martin on a political race that is capturing the imagination

THERE really is a presidential primary in the fifth largest state of the union today, but you would need sharp eyes and ears to know it. For Pennsylvania has somebody else on its electoral mind and the name is not George Bush, or Bill Clinton or Ross Perot but a 50-year-old woman who has never run for political office before called Lynn Yeakel.

Last November the state elected as its senator a previously unregarded Democrat by the name of Harris Wofford, who defeated Richard Thornburgh, the former US attorney general, two-time governor and presidential intimate.

If this November it returns Ms Yeakel at the expense of another senior Republican incumbent, then something quite remarkable will have happened. And the effects will be felt far beyond the boundaries of the state.

Interest in Ms Yeakel's fate in the Democratic senate primary election today far outstrips the concurrent presidential contests, which have been mundane affairs with predictable outcomes. President Bush will win all the Republican delegates and Governor Clinton more Democrats than anyone else.

Mr Jerry Brown, his only active opponent, seems suddenly to have lost steam. This has left Mr Clinton free to raise his sights against Mr Bush and even Mr Perot, the prospective independent candidate, but it has also meant he has been unable to generate the sort of enthusiasm he will need in the autumn to win back a state which has voted Republican in the last three presidential elections.

Anything less than a very easy victory today will reinforce all the aired doubts about his electability.

Lynn Yeakel had been thinking about getting elected to something for some time but her mind was instantly made up six months ago when she watched Arlen Specter, the Pennsylvania Republican senator, grilling Professor Anita Hill in the course of the hearings to confirm Clarence Thomas to the Supreme Court. So insulted was she by the nature of Mr Specter's attack on Ms Hill's integrity and character that she took it on herself to get him out of office.

Ms Yeakel is not without a reputation in the state as the head of Women's Way, an organisation which promotes women's self-help in education, housing and the social services. But this initially appeared to count for little since her principal opponent in the Democratic primary was Lieutenant Governor Mark Singel, the overwhelming party favourite son to take on Mr Specter.

But, on the eve of the primary, she seems to have come from nowhere in a bitter and often vicious campaign to be running level with Mr Singel. She has done this in part by borrowing from the Wofford manual, portraying herself as the outsider versus the insider and placing great emphasis on education, health and welfare problems, of which Pennsylvania has more than its share.

But, in a year when women's issues may be a potent political factor, she has done it mostly by playing the women's card. This has already turned up one trump last month in Illinois, when Carol Moseley Braun defeated the incumbent Democratic Senator Alan Dixon as much as anything else on the strength of the opposition of blacks and white women to Mr Dixon's vote to confirm Judge Thomas to the Supreme Court.

Working against Ms Yeakel, both against Mr Singel today and, hypothetically, against Mr Specter in November, is the fact that Pennsylvania rarely elects women to state-wide office. Until Mr Wofford's victory last year, it had not sent a Democratic senator to Washington in 30 years.

On the other hand, there is a growing national sense that there ought to be more women in the US Senate (there are at present only two, Barbara Mikulski, the Democrat from Maryland, and Nancy Kassebaum, the Republican from Kansas) and in higher office generally. Anne Richards, the current governor of Texas, may even be on Mr Clinton's short list of vice-presidential candidates.

Thus, a Specter-Yeakel race, if it materialises, would be seen as a classic confrontation between an experienced (and male) old hand and a woman with a message. With most primaries for state office still to be held across the country, a Yeakel victory today might well boost the cause of women candidates elsewhere. This prospect engages Pennsylvania far more than anything on the presidential front.

# Peru bank chief forced to resign

MR Jorge Chavez was yesterday removed by government decree from his post as president of Peru's central bank, Sally Bowen writes from Lima.

Although his replacement, Mr German Suarez Chavez, is a long-serving central bank official, local economists fear the change may herald increasing government pressure on the bank to relax its reins on spending.

Mr Jorge Chavez has resisted several attempts to force his resignation since President Alberto Fujimori suspended Peru's constitution on April 5 and formed a de facto government backed by the armed forces. Mr Chavez defended the bank's constitutional autonomy, saying he would refuse to use the $1.4bn (£790m) in accumulated reserves to support "macro-economic populism".

The move to oust Mr Chavez, who leaves the bank along with three other directors, came only days after the ratification of Mr Carlos Boloña as minister of economy and finance. Disagreements over policy had punctuated relations between the two men.

# Menem delays his re-election decision

By John Barham and Stephen Fidler in Buenos Aires

PRESIDENT Carlos Menem of Argentina said yesterday he would decide within a year whether to run for re-election, after his present term ends in 1995.

The question of re-election, which would require reform of the clause in the constitution that prohibits successive presidential terms, has become one of Argentina's most controversial political issues as the Peronist president approaches the middle of his six-year term.

In an interview, he said: "This is not a Peronist project or a project of Carlos Menem, it's an old project that was begun by the [opposition] Radical party" which held the presidency immediately before Mr Menem took office.

He added that the question of whether he would be a candidate for re-election was premature, stating that he would make a decision in a year.

Mr Menem said reform of the 1853 constitution would require a two-thirds majority of Congress to convene an assembly that would re-write the constitution. There is concern in the business community that a re-election bid would overshadow economic reforms, which are considered a priority.

There is also fear that a sovereign assembly would be empowered to undertake a drastic revision of the constitution, focusing on social aspects which would saddle the economy with added costs. Recent constitutional reforms in Brazil and Colombia have been blamed for obstructing economic changes there.

Mr Menem emphasised that he was committed to maintain the momentum of economic reform in Argentina. He dismissed speculation that he and Mr Domingo Cavallo, his widely respected economy minister, were at odds and that the latter would resign.

The president warned, however, that all members of the cabinet were expendable. "Ministers are like fuses – they are the ones who get worn out."

Asked whether economic reform depended too heavily on Mr Cavallo, the president said it depended on himself. "Without Menem, there are no possibilities for Argentina."

The president is reported to view Mr Cavallo as a potential rival in a future presidential election.

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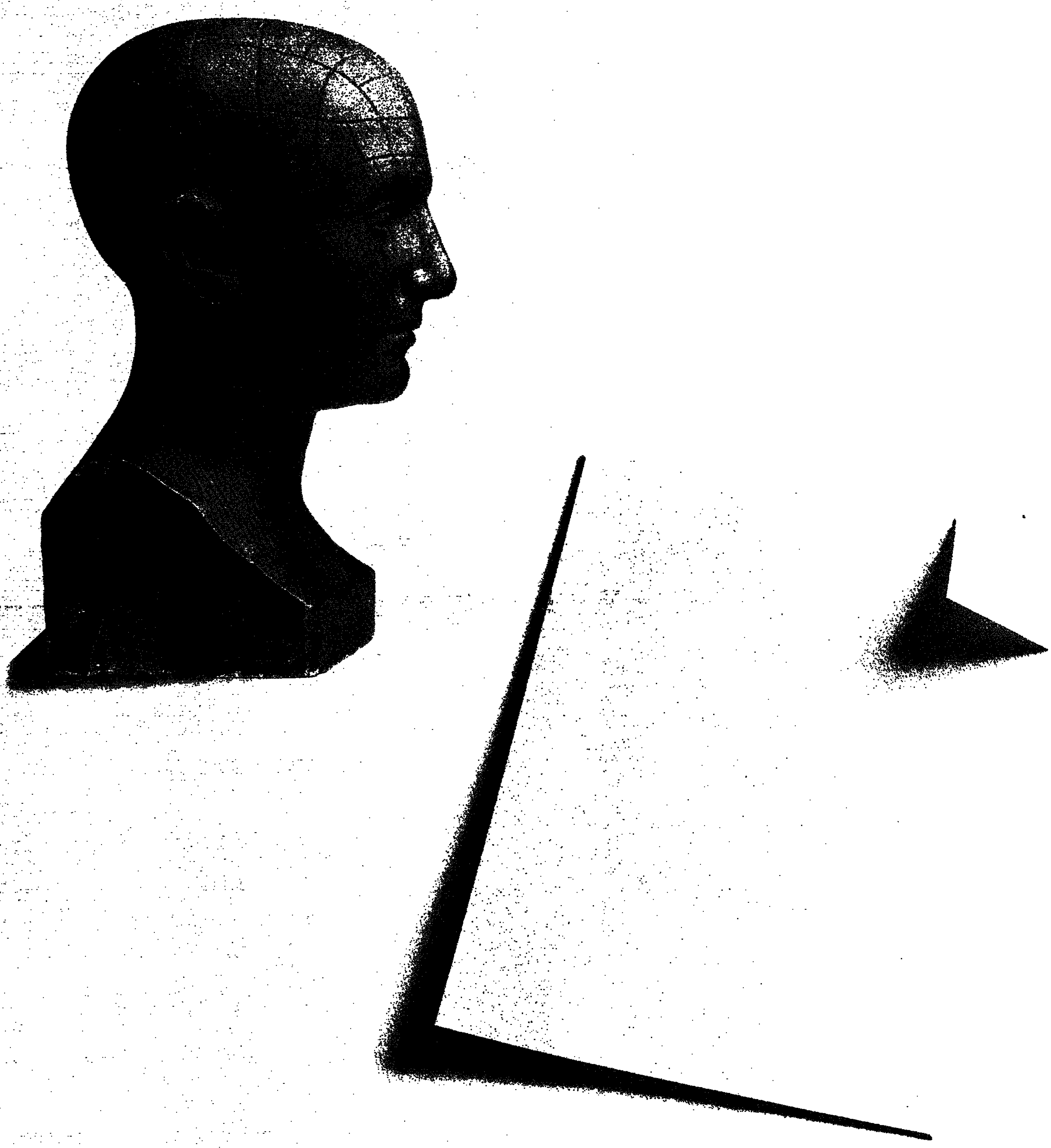

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# Labour race sees frantic campaigning

By Ivo Dawnay and Alison Smith

LABOUR Opposition MPs were yesterday at the centre of frantic campaigning in the party's leadership race as a clarification of the election rules left open the option of last minute switches in nominations that close today.

Campaign managers for Mr Bryan Gould insisted they had secured the necessary 55 votes for their man to fight the odds-on favourite, Mr John Smith, for the leadership in the contest that ends at a special party conference on July 18.

Mr Gould's team also claimed he had the pledges to contest the deputy leadership while Mr John Prescott said he was "quite confident" he would join the battle when nominations close at 5.15pm today.

Mrs Margaret Beckett, the shadow chief secretary, is already seen as the front runner for the deputy's post.

The election remained far from clear after a meeting of the parliamentary Labour party heard officials "clarify" the confusion that had left some convinced they could nominate second preferences.

Under party rules, for any candidate to become eligible for the final run off for the leadership or deputy leadership before an electoral college comprising MPs, trade unions and constituency parties, they must command 20 per cent of the parliamentary Labour party (PLP).

At a crowded Commons' meeting, Mr Larry Whitty, Labour's general secretary, said that misunderstandings of a weekend ruling had led some MPs to believe there was what amounted to a single transferable vote system, allowing their second choices to be registered if their first option failed to clear the 55 nomination hurdle.

In fact, party headquarters at Walworth Road intended to make clear only that MPs could switch their votes up to the final minute, even if they had already filed their nomination papers.

That ruling met fresh criticism from Mr Ken Livingstone, the hard-left contender for the leadership. He said the speed of the procedure meant new MPs were being "stampeded" into taking a decision before having any time to consider the candidates.

Mr Livingstone, his running mate for deputy, Mr Bernie Grant, and Ms Ann Clwyd, another contender for the post being vacated by Mr Roy Hattersley, are expected to have their votes squeezed by more likely victors.

The public row over the bumbling management of the election has led several left-wing MPs to argue that the system must be changed if frontrunners are not to face charges that the outcome has been a "stitch-up" by the party's powerful vested interests.

The rules look certain to be reviewed as will the composition of the electoral college that gives 40 per cent of the votes to the unions and 30 per cent each to MPs and the constituency sections.

Addressing yesterday's PLP meeting, Mr Neil Kinnock, the outgoing Labour leader, reminded the parliamentary party, reinforced by 69 new MPs: "As from today, the mourning stops. The battle is now to fight the Tories."

# Union chief calls for policy shift

By David Goodhart, Labour Editor

THE ISSUE of the Labour party's largely symbolic commitment to public ownership has been thrown into the current leadership debate by Mr Bill Jordan, leader of the AEU engineering union.

He called yesterday for the scrapping of Clause 4 of the party's constitution, which pledges the party to supporting "common ownership of the means of production, distribution and exchange".

In the most radical contribution to date from a union leader to the debate about Labour's future, he told his union conference that Labour must become a party for managers and wealth creators.

He cautiously welcomed the appointments of Mrs Gillian Shephard to the Employment Department and Mr Michael Heseltine to the Trade and Industry Department as signs that the new government might be seeking more consensus in industry.

"Mr Heseltine's appointment might be interpreted as a straw in the winds of change," he said. "His writings during his period of petticoat exile showed a strong understanding of the need for a working partnership between government and industry."

Mr Jordan's appeal formally to end the historic commitment to common ownership might still arouse passions. After the failed attempt by Mr Hugh Gaitskell, then leader, to remove Labour's socialist totem more than three decades ago, Clause 4 has been largely ignored. In recent years Labour has proposed no substantial nationalisation plans.

# Opposition woman MP wins post of Speaker

By Philip Stephens

THE House of Commons broke with centuries of arid tradition yesterday with the choice of Miss Betty Boothroyd, the colourful 62-year old Labour MP for West Bromwich West, as its Speaker.

Her victory in the first contested election for the post in more than 40 years, makes her the first woman in six centuries to occupy the most powerful – and frequently controversial – job at Westminster.

It also marked a break with the more recent post-war tradition that the Speaker is drawn from the governing party in the Commons rather than from the opposition.

A deputy speaker since 1987, Miss Boothroyd beat off a challenge from Mr Peter Brooke, the former Northern Ireland secretary, to win the backing of 372 MPs compared to 238 against, a comfortable majority of 134.

In theory, the Speaker's job is simply to preside over Commons proceedings and to maintain order during debates. In practice, the authority to allow or disallow emergency debates, to select the order of speakers and to settle all procedural disputes gives the office unique power.

Miss Boothroyd, whose modest background first led her into a career on the stage as a professional dancer with the "Tiller girls", succeeds Mr Bernard Weatherill. With it comes a £65,000-a-year salary and a large house within the precincts of the palace at Westminster.

Her election was helped by the divided loyalties of Conservative MPs, who collectively backed three other potential candidates apart from Mr Brooke.

It was assured when Mr John Biffen, a distinguished former cabinet minister and leader of the Commons, led more than 70 Conservative MPs in support of the Labour candidate.

His judgment – that Miss Boothroyd has displayed as deputy speaker over the past five years the relevant qualities of fairness, tact, humour and respect for the authority of the Commons – was widely shared on all sides of the House.

Mr John Major, who subsequently joined Mr Neil Kinnock in offering warm congratulations to Miss Boothroyd, abstained from voting. Most of his cabinet colleagues supported Mr Brooke.

Betty Boothroyd: first woman Speaker in six centuries

## Calling the House to Order, Order!

THE CRY of "Order, Order!" has made the Speaker a famous television personality both in the UK and overseas.

The Speaker must know every MP by name and constituency to identify them when calling them to speak. This dates back to Sir John Trevor, Speaker at the end of the 17th century. Because he was boss-eyed no one could tell when they had, in the Commons phrase, "caught his eye".

The first Speaker was Peter de Montfort in 1258, although there was then a gap until the late 14th century before the job was properly established. De Montfort's job was to convey the view of the Commons to the Crown and he was often viewed as the sovereign's "spy".

Tudor monarchs often chose the Speaker and regarded him as a "business manager". Henry VIII, short for cash, had a rude awakening when he sent Cardinal Wolsey to the House of Commons to demand money. Thomas Moore, the Speaker, refused and established the power of the Commons to deny money to the Crown.

Today's appointment brings Miss Boothroyd, the 155th Speaker, a salary second only to the prime minister's.

# Why all week off is no holiday

**Diane Summers** looks at the Post Office's 22-hour working week

FOR ONE group of workers in British industry the much-heralded Leisure Age has finally arrived. Post Office maintenance engineers have signed an historic deal which will enable them to enjoy a 22-hour working week for a full week's money.

Naturally, the arrangement is not as idyllic for the workers as it might initially sound. The 22 hours will be concentrated into the weekend, starting at 3.30pm on Friday afternoon and ending at 7am on Monday morning. The short hours will only be available for part of the year – probably April to July – and will not be guaranteed week to week but will depend on workloads.

Nevertheless, there must have been many employees in other sectors who read of the deal yesterday and wondered when it would be their turn. If the price of getting Monday to Friday off work is working two shifts of up to 12 hours over the weekend, then many would consider it worth paying.

So is the Post Office agreement the dawn of the Leisure Age? In the 1960s it was thought that labour-saving devices, the white heat of technology and medical advances which prolong life would lead to such an excess of leisure time that how to dispose of it would be the problem.

Things did not pan out that way, partly because it is generally agreed that new technology has created, rather than reduced work. Employment continues to be unevenly distributed, with part of the population suffering stress-related illnesses because of working too many hours, while the unemployed endure the opposite problem. Unions have tended to reinforce this pattern because of short-term fears that their members would lose overtime payments.

According to government figures, over 1m members of the 25m workforce are "double-jobbers" who hold down two jobs. Even during the recession substantial amounts of overtime have continued to be worked: in February, seasonally adjusted figures showed over 10m hours of overtime were worked each week in manufacturing. This compared with a peak of more than 16m hours in April 1979 and a low of 8.5m hours in March 1981 during the last recession. With these overtime hours, British men continue to work longer hours than men anywhere else in the European Community.

Some reductions have been made, principally following a campaign by engineering unions which resulted in a cut in hours from 39 hours to 37 for hundreds of thousands of workers in the engineering sector. A push to a 35-hour week, common among office workers, is being delayed by unions until the recession has ended.

Rather than being driven by Leisure Age considerations, the Post Office deal is an indication of quite another trend, according to Mr Alastair Hatchett from Incomes Data Services, the pay and conditions research group. Employers are, for reasons of economy, increasingly seeking to eliminate overtime premium payments and integrate "unsocial hours" working into the normal working week.

There are a number of ways of doing this, including the move to "annualised hours" where employees contract to work a total number of hours over the year, rather than on a week by week basis. This system is effective in allowing employers to deal with peaks and troughs in demand – manual workers at Hotpoint factories in north Wales, for example, work variable hours depending on seasonal demand for domestic appliances.

The National Communications Union, which has negotiated the Post Office 22-hour deal, is only too aware of another way employers commonly cope with those peaks and troughs – by hiring and firing staff in line with workloads. The Post Office's own construction and maintenance operation has to tender for work in competition with outside contractors. Many of these contractors will not be burdened – as the Post Office itself has been – with having to pay workers when there is little to do during the week, while paying for weekend overtime, when work can more conveniently be completed.

According to Mr Bill Fry, NCU president, the Post Office agreement is a breakthrough which could provide an example of the way forward for unions and employers in other sectors. "We are endeavouring to protect people's jobs – that is my retort when some members complain they could lose overtime," he says.



# ABB share move faces union block at Brel

By John Willman, Public Policy Editor

THE 6,500 workers at Brel, the privatised UK rolling-stock maker, are threatening to block attempts by Asea Brown Boveri to take complete control of the loss-making company.

Union representatives say that members wish to retain the shares they were given on privatisation, and would be prepared to increase their holdings if the price was right.

The Swiss-Swedish company ABB owns 40 per cent of the shares and has agreed to buy the 40 per cent stake held by Trafalgar House subject to clearance by the European Commission. ABB must bid for the remaining 20 per cent of shares held by Brel workers and management, at the share price paid to Trafalgar House.

However, Mr John Darby, chairman of Brel, told shareholders at the Brel annual meeting that employees should not to sell at this price. Although the company had made a loss of £41.6m in 1991, new orders and the recent restructuring of Brel had made him much more optimistic about the company's future.

Since ABB has a policy of taking 100 per cent ownership of subsidiaries, a higher offer is likely to be made for the shares held by employees and the management team.

# Lymeswold fails to be the big cheese of Europe

Blue Brie and Cambazola fill the market gap, writes **Guy de Jonquières**

LYMESWOLD, the soft natural cheese once billed as Britain's answer to the likes of Brie and Camembert, has been consigned to the history books 10 years after it was launched to a fanfare of nationwide publicity.

Dairy Crest, the commercial arm of the Milk Marketing Board, which developed Lymeswold at a cost of several million pounds, said yesterday that it stopped making the cheese last week. The plant which made it will close next month, with the loss of 38 jobs.

Dairy Crest is seeking a buyer for the plant, in Aston, Birmingham, but plans to retain the Lymeswold brand and the equipment to produce it. The company said it had lost money for several years on the cheese, which had been selling poorly.

When Dairy Crest introduced Lymeswold in 1982, it expected the cheese eventually to capture a quarter of the UK market, then worth £800m a year.

At first, consumer enthusiasm for the first new British cheese for 200 years suggested the optimism was justified.

The launch received a big boost from Mr Peter Walker, then minister of agriculture, who endorsed the cheese on television. Viewers were also shown Bomba, Mr Walker's Old English sheepdog, tucking into chunks of Lymeswold.

However, from then on, problems set in. Unable to meet initial demand, Dairy Crest released Lymeswold stocks before they were properly matured. Instead of being soft and creamy, much of the early cheese on sale was hard and chalky in the middle.

Dairy Crest responded by building the Aston plant and fitting it out with special equipment imported from the continent which could turn out 4,000 tons of Lymeswold a year – several times the original capacity.

But soon after the plant came on stream, the Lymeswold market went into inexorable decline and annual production never exceeded 2,000 tons a year.

A promotion campaign in France flopped, and after a re-launch of the product failed in February, Dairy Crest decided to cut its losses.

The company declined to give recent sales figures, saying its marketing staff "would not want to confess to the low levels they had reached."

However, according to market research company AGB, barely a third of UK supermarkets stocked Lymeswold last year.

Mr Walker believes poor quality control was also to blame. "Several times, I've bought Lymeswold which should never have been on the supermarket shelf," he said yesterday. "In recent times, there have been some rather better German equivalents available."

Indeed, the only enduring winners from the whole affair seem likely to be continental exporters of cheeses such as Blue Brie and Cambazola, which have successfully exploited the market created by Lymeswold to expand their sales in the UK.

What Bomba, Mr Walker's sheepdog and Lymeswold's best-remembered fan, would have made of it all will never be known.

## Britain in brief

### UK, Ireland dominate PC market

The UK and Ireland continued to dominate European personal computer manufacturing last year and are responsible for three out of every five PCs built in Europe, according to Dataquest, the market research group. Total PC sales last year exceeded 8.3m worth $28bn.

In its latest report, Dataquest estimates that out of 5.4m PCs manufactured in Europe last year, 4.2m were built by companies which buy semiconductors from overseas for European PC production, and that 57 per cent of this production takes place in the UK and Ireland.

Including "screwdriver" assembly, the UK alone represents nearly two-thirds of total European PC manufacturing led by companies like Acorn in Cambridge, IBM in Greenock, Research Machines in Oxford and Victor in High Wycombe.

Italy is the largest volume manufacturer after the UK and Ireland, closely followed by France and Germany. Despite declining margins both Olivetti and Apple also show strong growth in local production. Other volume assembly plants that are emerging include Compaq, Elonex, and Goldstar in the UK and Vobis in Germany.

Dataquest forecasts that between 1991 and 1995 European PC manufacturing will grow in line with the end-user PC market at a compound growth rate of more than 11 per cent.

Other trends identified in the report include the growing role played by "no-name" companies in the European industry which account for 25 per cent of all PC production in Europe.

### London woos foreign funds to capital

London's chamber of commerce is launching what it claims is the first recent comprehensive guide to be aimed at potential foreign investors in the capital.

The 90-page guide is a directory and promotional effort, prompted, according to the chamber, by the absence of a local authority able to promote the capital as a whole.

The guide surveys London's property, financial and labour markets; offers practical advice on locations, services, transport and local government; and gives contact names and numbers for all sectors.

The guide will be circulated by the trade department, the Foreign Office, chambers of commerce and the European Commission.

### Mercedes sales jump after poll

Sales of Mercedes cars in the UK since the April 9 election have been running about 85 per cent higher than levels a year ago, indicating that recovery might at last be under way in the deeply-depressed new car market.

However, Mr Hans Tauscher, managing director of Mercedes-Benz (UK), warned that recovery could be put at risk if two Brussels reports on new car prices, due to be published tomorrow generate fresh uncertainty among UK buyers about whether they are being charged excessively high prices compared with other EC markets.

Mercedes' sales since the election contrasts sharply with the period between the start of April and the election, when sales were 10 per cent below the already severely depressed levels of the same period a year ago.

### Virgin launches 'mid-class'

Virgin Atlantic Airways is to fall into line with other intercontinental air carriers and offer three classes of travel.

The company launched it "mid-class" service for passengers who have paid full price for their economy tickets. They will have a separate cabin and more legroom. Until now, Virgin has sold seats only in economy class and "upper class", where prices were roughly comparable with business class on other airlines. Mr Richard Branson, chairman, said that many travellers bought economy tickets but "need some extra space and a peaceful atmosphere in which to work".

### Record RSI award made

A woman machine operator at Vauxhall Motors in Luton who contracted Repetitive Strain Injury (RSI) and had to give up her job has been awarded a record £59,617 damages and loss of earnings by a judge at County Court.

Vauxhall was found to have behaved negligently for not warning the woman, 63 year old Mrs Jane Inskip, of the risks she was exposing herself to through repetitive hand actions on gear shaving machines. Vauxhall has denied liability and is appealing against the decision.

Mrs Inskip's union, the AEU engineering union, hailed the decision as "an historic settlement". Although higher settlements for RSI have been agreed out of court the case of Mrs Inskip has set a new record for a court settlement. That is because the award included 31,500 for loss of earnings on top of 5,000 general damages. With miscellaneous damages and interest the figure rises to just under 60,000.

Mrs Inskip, then aged 56, contracted what was later diagnosed as D'Quervains Tenosynovitis and osteo arthritis in November 1984 after more than 10 years of loading and unloading gear shaving machines, a repetitive action involving turning, twisting and a degree of force.

● Eight journalists with repetitive strain injury have left The Financial Times on terms which include lump-sum payments of at least one year's salary from the company, a guarantee that sufferers who recover their health can return to employment at the newspaper and ill-health pensions.

A ninth, person, who is not in the pension scheme, is about to leave on terms which will include benefits under a permanent health insurance policy.

The settlements do not deprive sufferers of their right to seek legal redress.

### Scots warned over action

Calls for civil disobedience and industrial action in support of Scottish constitutional change risk undermining inward investment, according to one of Scotland's leading industrialists.

Mr Ron Garrick, chief executive of Weir Group, the Glasgow-based engineering company, said that calls by senior figures in the Labour party at last week's Scottish Trade Union conference for civil disobedience and industrial action were "despicable, given the problems young people are having in finding work".

Mr Garrick was alluding to the heavily-reported remarks of Mr Charles Gray, Labour leader of Strathclyde regional council, who called for "civil disobedience within the law", as well as mass demonstrations and strikes, and did not rule out "civil disobedience outside the law," in pursuit of a devolved Scottish parliament.

Mr Garrick said that if this happened Scotland would become a graveyard for new investment, and young people would find it even more difficult to get work.

### Nynex opens cable franchise

Nynex, the New York and New England telephone company, will open today its second cable television franchise in the UK, the south of England franchise of Brighton and Hove. The company has already made cable available to 26,000 homes in its first franchise, Portsmouth, and has 5,200 subscribers.

The large US telephone company wholly owns nine cable television franchise covering 1.2m homes and is building integrated networks offering both cable television and telephone services.

"We're serious and we're here for the long term," says Mr Mearing-Smith, executive group director of Nynex Network Services in the UK, who believes that offering competitive telephone services to BT is emerging as the most important part of the cable business.

### Hitch on road to Ulster talks

Differences between British and Irish ministers' aspirations for Northern Ireland surfaced publicly pointing to possible difficulties in "round table" talks that are about to start on Northern Ireland's future.

Ministers met in London and agreed a three-month gap in the regular Anglo-Irish conferences, allowing cross-party talks to start in Belfast tomorrow. They expressed a "strong hope" that the talks, which collapsed last July and were revived ahead of the general election, would lead to "a new beginning" for Northern Ireland and its relations with the UK and Dublin.

Sir Patrick Mayhew, the new Northern Ireland secretary, and Mr David Andrews, the Irish foreign affairs minister, put different emphasis on the goals of the talks.

Sir Patrick said it had been agreed that Northern Ireland would remain part of the UK as long as the majority of those living there wished it to be. In contrast, Mr Andrews said Northern Ireland's constitutional position in the UK, "are matters, of course, that will have to be discussed in the talks."

# How to put a value on a share of the action

**Charles Batchelor** looks for the pointers to a company's real worth

Valuing the shares in a private company is a tricky matter. With no market to put a value on the business, the sums depend on fine commercial judgments, profit performance – past and future – and the calculation of some rough and ready discounts. Equally importantly, it is a matter of shrewd psychology.

Take the case of one family-owned business where the managing director and majority shareholder was negotiating the sale of the company. He took the view that his hard work had created the value in the business and, since he had the largest shareholding, his shares, individually, were worth more than those of the minority "sleeping" shareholders.

An elderly aunt, who was a minority shareholder, objected to this valuation. Tempers were already frayed when the aunt suddenly announced her intention of bequeathing all her worldly goods to the local dogs' home. When her nephew, a dog-hater, heard this, negotiations became even more difficult.

"Often it is not a question of making a formal calculation of value but of dealing with psychology," says Roy Nicholson, corporate finance partner at accountants KPMG Peat Marwick.

But the question of how to value private company shares is not just the stuff of family quarrels. Fewer than 3,000 of the UK's 1m companies have a public stock market listing so valuing private businesses is of crucial economic importance.

Even when strong personal animosities are not part of the calculation, though, valuing shares in unlisted companies is more of an art than a science. "You can only give an opinion as to value," comments Trevor McDonagh, a partner at accountants Coopers & Lybrand Deloitte. "In the end, every single factor used in arriving at a valuation is subjective."

Value will depend on the shareholdings and personalities of the other shareholders and the possible benefits a buyer could get from incorporating the business into his own. "You can't value a shareholding in the abstract; it depends on who wants to buy it and why," says McDonagh.

But amid all this uncertainty, there are pointers. The first place to turn for guidance is the company's articles of association. These frequently set down a rough outline for valuing shares, though long-established family firms with strong patriarchal traditions may have deliberately avoided enshrining any rights for minority shareholders.

The articles may adopt general terms such as "fair market value" or they may go into greater detail, insisting that there is "no discount for minority shareholdings" or "no price less than attributable net assets". Very occasionally, they may require "a multiple of (say) four times profits".

"At one extreme, the articles may say something which is superficially acceptable but of little value," says Charles Ranson, a partner of London solicitors, Hardwick & Co. "At the other, you may have something very detailed. I am not sure that any of these approaches is particularly satisfactory."

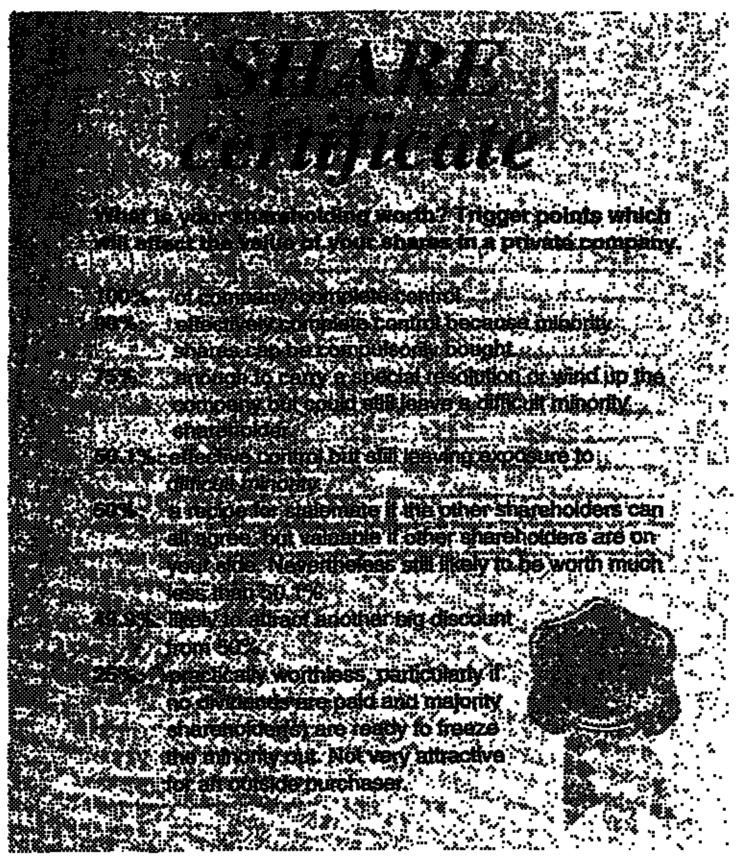
Unlisted company shares will usually be valued at a large discount to their quoted counterparts because they lack a convenient public market place. Price will usually be based on earnings but if the company pays a dividend, it may relate to dividend yield. A price/earnings calculation may also be adjusted downwards to take account of a company with a very small asset base or relatively low turnover.

If shareholders are unable to agree on a price, the articles will usually stipulate that they must obtain an independent valuation, often from the company's auditor. Some shareholders may doubt the independence of the auditor, however and insist on an independent accountant doing the job.

The articles of most private businesses will contain a pre-emption clause requiring any shares to be offered to other shareholders before being sold to outsiders. Unless there is an obligation for the other shareholders to take up all the shares being offered for sale, the vendor may be left with a small and unsaleable minority.

This can create particular dangers for directors who have fallen out with the rest of the board or who have been dismissed. They may find dismissal triggers a "bad leaver" clause which reduces the value of their shares. It is particularly important for directors to study the articles of their company when they are appointed to the board to see the conditions under which they can be dismissed and the terms which would apply to the disposal of any shares they acquire.

Directors should also take independent legal advice on the terms of their service agreement, if they have one, and the terms of any shareholders' agreement, says Christopher Southam, a partner in Bristol solicitors Veale Wasbrough. "If someone ceases to be a director, he may be automatically deemed to have given notice to sell his shares," Southam notes.




Valuing a 100 per cent holding is not always easy but it can prove relatively simple, compared with the problems raised by minority stakes. Unless the articles require a valuation to be on a pro rata basis, it is normal for a minority stake to be valued at a discount.

A 25 per cent shareholding in a company which never pays dividends and which is dominated by a strong-minded managing director usually has very little value, says Peat's Roy Nicholson.

Shareholders are sometimes able to argue, successfully, that although the business is incorporated, it is in effect "a quasi-corporate partnership", that the shareholders are really partners with an equal share in the business. If this is so, then their minority holdings should not carry any discount.

But a court is unlikely to be sympathetic to a shareholder who buys into a company, knowing there are limits to the value of his shares because they represent a minority stake, and then tries to argue he has been disadvantaged.

Minority shareholders sometimes point to the price paid by a venture capital company buying into the company as a guide to the value of their own shares, says Trevor McDonagh. But they overlook the fact that the venture capitalist is often buying into a new class of share, possibly with conversion rights, and may also be getting a seat on the board.

A commercial arbitrator may appear to be doing all he can to reduce the value of a shareholding; the taxman takes the opposite view. "The shareholder may be locked into an investment which brings in no income and which is virtually unsaleable, but for tax purposes he has to pretend he can sell them freely," says David Bowes, a consultant with accountants Grant Thornton. The taxman is also free to ignore any price formula set down in a company's articles.

A father sold his son shares at £20 each – net asset value with no discount for minorities as prescribed in the company's articles – but the Inland Revenue insisted on taxing them at market value which it calculated at £45 a share.

There is little that shareholders can do to escape the taxman's approach to valuations but the share valuation issue is becoming slightly less opaque. As more private companies establish share option schemes for executives and employees, and as more shares change hands, so it becomes easier to establish a true market value.

## In a Nutshell

### Just the job-share for personnel

**Employing a personnel manager is low on the list of priorities of most small businesses because of the cost involved. Yet as a business grows, managing staff can be a problem.**

**An answer may lie in a pilot programme being undertaken with five south London businesses to share the services of a personnel manager for a year. The Locum Personnel Service has set up Q-Tab, a training consultancy, with funding from Aztec, a south-west London Training and Enterprise Council, and Wandsworth Council.**

**Each of the participating companies will pay £2,000 towards the cost, equivalent to £5,600 for each company. They will be allocated 40 days' help and advice a year.**

**The personnel manager involved is Trevor Croucher, who has 15 years' experience in the public sector.**

**Q-Tab hopes the scheme will be taken up in other areas and plans to repeat the pilot in its own area if it is successful.**

**Q-Tab. Suite 18, Lombard Business Centre, 50 Lombard Road, London SW11 3SU. Tel 071 350 0759.*

### Fund raisers rein back their ambitions

Venture capitalists have encountered tough conditions when trying to raise new funds over the past year. Despite these difficulties, two venture firms have made good progress with fund-raising though they have had to modify their ambitions.

Phildrew Ventures raised £62m towards its target by its first closing in mid-March and plans to complete fund-raising by the end of June. Phildrew initially hoped to raise up to £150m for its third fund but is now talking of a final target of around £100m

Phoenix Fund Managers has raised £35.5m towards its first fund and expects to reach its target of up to £50m (initial target up to £75m) within the next six months. Mitsubishi provided one third of the funds with £14m coming from UK investors.

# Golf clubs where the grass is greener

The length of golf club waiting lists, the distance from the chairman's home and the presence of swans on a river have all been used by companies to help choose a new location, according to a guide to company relocation, writes Charles Batchelor.

These real examples demonstrate how not to come to a decision on a new address, The Director's Guide to Relocation Management* points out. One company selected a site for commercial reasons and then changed its mind in favour of a location five minutes' from the chairman's home while another briefed its advisers to find "a town with character on a river with swans".

"Miscalculations during the relocation process can lead to the loss of key employees, plummeting morale and escalating costs," the guide notes.

More serious reasons for companies deciding to move include high property prices, the end of a lease, the redevelopment of the current premises and deteriorating accommodation and facilities.

The guide calculates that a company moving from London to the Midlands could save £9,000 a year per employee on running costs, rent, rates and labour costs. But companies should set against these savings the one-off costs of the move which average £14,500 per employee, including visits to the new area, temporary accommodation and removal costs.

If a company advances a bridging loan to an employee, this may increase the cost to between £20,000 and £50,000 in the present, difficult housing market.

The decision to move is a trade-off between future cost savings and the one-off relocation costs but there can be other important benefits to a company, the guide says.

It can allow a business to project a new image, make organisational changes and improve its working environment and the performance of staff.

The guide covers finding the right location; how to help employees and keep them in touch with developments; and how to organise the physical move.

Even otherwise well planned moves can run into last minute difficulties. One company arrived at its new site only to find it had forgotten to have keys cut for the new building; a second found access to its new building cut off by roadworks; while a third forgot to arrange for its telephones to be connected.

**Institute of Directors and Black Horse Relocation. From Director Publications, Mountbarrow House, Elizabeth Street, London SW1W 9RB. 80 pages. £9.95.*

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For further information, please contact The Joint Administrator, David Wilton, Cork Gully, 43 Temple Row, Birmingham B2 5JT. Telephone: 021-236 9966. Fax: 021-200 4040.

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# FT LAW REPORTS

# Digest of Hilary Term cases

**THE GREGOS**
**(FT, February 14)**

In the present appeal, an issue concerned the date on which the legitimacy of the voyage had to be established and the charterers contended it was the date when the order was given. The owners contended, and the arbitrator awarded, that it was the date when the order became effective and the vessel was required to comply with it. In rejecting the charterers' appeal, Mr Justice Evans stated that the charterers' contention, if correct, would mean that a charterer, who chose a time well in advance of the last voyage and gave instructions which, even if reasonable at that time, would remain binding on the vessel regardless of subsequent events. The charterers' obligation to give voyage order was similar to their obligation to *order the vessel only to safe* ports. If a port – safe when the order was given – became unsafe, then a secondary obligation to change the order arose. *There* was no distinction in principle between that situation and one which concerned the date of the last voyage.

**THE BIJELA**
**(FT, February 18)**

Under the York-Antwerp Rules 1974, Rule XIV provided that, where *temporary repairs of* accidental damage were effected "to enable the adventure to be completed", the cost of such repairs should be admitted as general average "but only up to the saving in expense which would have been incurred and allowed in general average if such repairs had not been effected there". In the present case, the vessel and its cargo having arrived at port of refuge and being no longer in peril, it was the shipowners' duty to carry out, without unreasonable delay, such repairs as were necessary to carry the cargo to its contractual destination, and to bear the expense of those repairs. In giving judgment for the defendant, cargo-owners and their guaranteeing banks on a claim by the shipowners for general average in respect of temporary repairs to the Bijela, Mr Justice Hobhouse stated that the cost of performing the voyage and carrying the cargo to destination was an expense borne by shipowners alone; the risk of accident was one that the carrier accepted when he entered into the contract of carriage.

***LINDEN GARDEN TRUST LTD* v LENESTA SLUDGE DISPOSALS LTD AND OTHERS**
**ST MARTINS PROPERTY CORPORATION LTD AND ANOTHER v SIR ROBERT McALPINE & SONS LTD**
**(FT, February 19)**

In both these cases, building works were carried out under a contract with a person who had a proprietary interest in the building when the contract was made. The original *employers transferred their* interest in the building to others, and also purported to assign the building contracts. The contracts, on standard Join Contract Tribunal (*JCT*) forms, contained a term in clause 17 that the employers would not assign "this contract" without the contractor's consent but consent was never obtained. Linden sued as assignees whereas, in the St Martins case, both the assignors (Corporation) and the assignees (Investments) sued. In the Linden case, the assignors had an accrued cause of action against the contractors for £22,205 by the date of assignment and that claim was validly assigned. Further breaches were later discovered, giving rise to a £236,000 loss for *which the assignors acquired* a cause of action in respect of those defects and, after assignment, Linden became entitled to enforce the claim. In the St *Martins case, when Corporation* executed an assignment in favour of Investments, there was no existing cause of action. Corporation, by the *assignment, transferred to* Investments the contractual right to have the building properly constructed and Investments could sue for breach, the *Court of Appeal held.*

**THE RUBI SEA**
**(FT, February 21)**

In deciding that the caveators, *Ince & Co, should recover their* costs of the arrest of a vessel in priority to all claims, other than the Admiralty Marshal's charges and expenses, Mr Justice Sheen *stated* that a warrant for arrest could not be executed until there had been lodged in the Marshal's office an undertaking to pay on demand the Marshal's fees and expenses in respect of the ship's arrest and its care and custody while under arrest. That undertaking was normally given by the plaintiff's solicitor personally. In such circumstances, the solicitor could not be expected to delay his instructions to arrest while he made inquiries as to whether a claimant with a higher priority intended to enforce his claim. The plaintiff, who first arrested the ship, preserved the property on behalf of all claimants within the jurisdiction, his Lordship held.

**THE GOLDEN MED**
**(FT, February 25)**

In a transaction for the financing of the building of a ship, the plaintiffs deposited $600,000 with the bank. The negotiations broke down and the plaintiffs demanded the money but the bank refused to pay. In proceedings, the bank was ordered to return the money and the plaintiffs sought compound interest. It was common ground that the court had jurisdiction in an appropriate case to award compound interest *in the exercise of its equitable* jurisdiction. In awarding compound interest, Mr Justice Hirst stated that the bank was essentially engaged in investment business, and must be presumed to have used its money for normal banking purposes as part of its working capital, and thus to have been in a position to earn compound interest itself. It was wrong to argue that compound interest was only to be awarded in exceptional cases where the defendant had been guilty of serious misconduct. The authorities made it clear that such an award was in no way *punitive but related to commercial* circumstances.

**THE ANTCLIZO (NO 2)**
**(FT, February 26)**

Discharge of a cargo was completed at Bombay but disputes arose between the parties as to despatch, demurrage and balance of freight. Clause 34 of the charterparty provided that at port of discharge, time was to count from 24 hours after notice of readiness, "vessel *also having been entered at* Customs House and in free pratique". The arbitrators' decision that notice of readiness given at Bombay was valid was upheld at first instance, contrary to the charterers' argument that since prior entry did not carry with it an order permitting inwards entry, only final entry would satisfy clause 34. The argument had obvious difficulties, the Court of Appeal stated in dismissing the charterers' *appeal. First,* if notice of readiness could not be given until final entry and that did not take place until after inwards entry had been granted and discharge commenced, it was unlikely that clause 34 was intended to produce the result contended for. To provide for a 24 hours' notice of readiness to be given after discharge had already begun, made no sense at all. Second, the vessel was physi*cally entered at Customs* House when prior entry was completed. Third, prior entry was important for importers, who would know they could proceed and arrange for discharge.

**FITZWILLIAM (COUNTESS) AND OTHERS v INLAND REVENUE COMMISSIONERS**
**(FT, February 28)**

After the death of Earl Fitzwilliam in 1979, Lady Fitzwilliam and her daughter, Lady Hastings, were left an estate valued at just over £12.4m net. After instructions were given to the solicitors, a series of transactions were entered into to mitigate liability that would subsequently be incurred on the death of Lady Fitzwilliam. Mr Justice Vinelott quashed a decision that capital transfer tax was payable on these transactions by virtue of the Ramsay principles (see [1982] AC 300) *as a preordained series of* transactions which, where they made up one single composite transaction, was held by the House of Lords as liable to *producing an unacceptable fis*cal result. Dismissing the Revenue's appeal, the Court of Appeal stated that the scheme was qualified by the suggestion, *apparently acted upon,* that Lady Hastings should receive separate legal advice. The steps taken were not only not preordained and not cut *and dried, but there was recog*nition of a real possibility that the proposals would not go through at all. Such a qualification was fatal to application *of the Ramsay principle.*

**Aviva Golden**

# Seven phone calls for the price of one

How do you cut your phone bills in half – or by even more? One solution is voice compression technology, where several calls are squeezed down the equivalent of a single line.

Johnson Matthey, the precious metals company, uses voice compression on two international links out of London. The calls are squeezed to occupy the equivalent of 16 kilobits of data – 64 Kbits are usually allocated to voice calls.

As a result, says Dave Murphy, analyst in the telecoms group at Johnson Matthey, the company needs to use each of its eight leased transatlantic voice circuits for only five hours a week in order for them to cost the equivalent of the ordinary public telephone network.

Johnson Matthey had tried to compress these calls down even further – to 8Kbits/s. However, reports Murphy, because the link has several connection points where the calls are converted between digital and analogue formats, the quality of the final call was too poor.

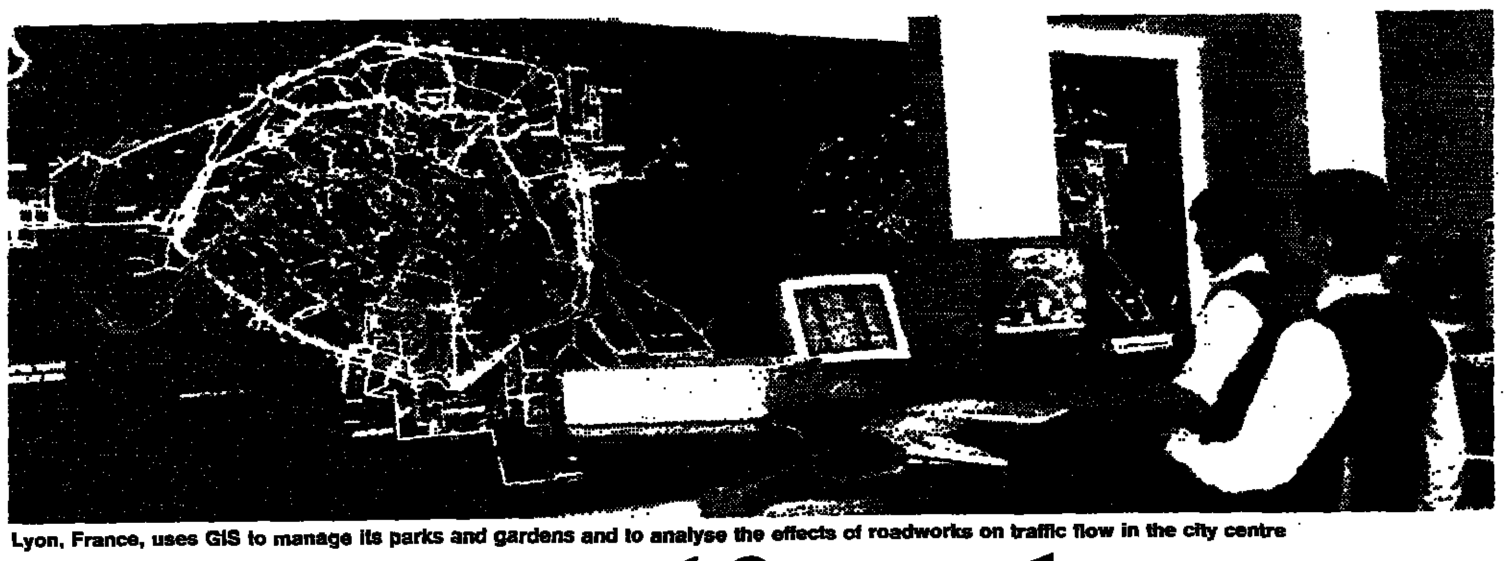
On direct links, however, companies such as Newbridge Networks, of Newport, Gwent, and Craycom, of Frimley, Surrey, report a growing interest from companies for this 8 Kbit/s technology.

"You can get seven conversations for the price of one," points out Barrie Desmond, marketing services manager at Newbridge in Wales. This customer demand has been fuelled by a loosening of the telecommunications regulations, enabling companies to use the technology on private networks. "Typically 80 per cent of a company's traffic starts and ends within the company and with different sites," points out Trevor Hall, senior marketing director at Craycom.

Equipment from both Newbridge, at the high capacity end of the market, and Craycom, which sells equipment for smaller companies, uses technology which goes under the unusual name of codebook excited linear predictive – Celp.

Celp works by predicting the next sounds. Then it takes the difference between the predicted and actual sounds and compares it with the common errors in its code book. It selects the one which most resembles the actual error and transmits an abbreviated code for this pattern – rather than the error itself.

**Della Bradshaw**



Lyon, France, uses GIS to manage its parks and gardens and to analyse the effects of roadworks on traffic flow in the city centre

# Put yourself on the map

## Dave Madden explains how geographical information can be brought to life

Imagine letting your automobile find the nearest car park for you. It will know if there is enough space available in the facility and if the route is congested it will plot you another.

Improbable? Not according to Britain's Automobile Association. The AA is already operating a pilot project with Ford using this sort of in-car navigation system around Basildon in Essex. Ralph Robbins, the AA's chief cartographer, envisages supplying traffic routing data from the AA's Road Watch information service by radio channel to vehicle navigation computers.

Geographical information systems (GIS), which bring maps to life on a computer screen, display corporate information visually. Cellular radio networks, sewage systems and Tube tunnels are all possibilities.

Public utilities, embarrassed by digging up one another's assets, were first to use such systems in the UK. But the retail and transport industries are as likely to exploit its possibilities as users with miles of physical infrastructure to locate.

While the same could have been said five years ago, the signs are that GIS is much closer to taking off today. UK retailers – led by Marks & Spencer, Tesco and Sainsbury – and financial services groups are able to build new profiles of their customers and create store and branch location analysis tools.

Retailers have been surprised by what GIS has shown them. It has made them reassess things which they either thought they knew or believed did not matter, such as how far different sets of customers are willing to travel to shop in different parts of the country.

M&S implemented a GIS system a year ago which allows it to map its own data on to external demographic, socio-economic and drive-time statistics. For retailers, says Simon Orebi Gann, M&S's IT executive, GIS has more to do with extracting meaning from these databases than with drawing pictures.

"The retail trade may not be the first to use a technology, but it is good at making more of it than people have down previously," says Orebi Gann. Ultimately, he adds, GIS is helping retailers to improve their customer service performance, allowing them to treat customers with greater individuality.

> **Retailers have been surprised by what GIS has shown them. It has made them reassess things which they either thought they knew or believed did not matter, such as how far *different sets of customers are willing to* travel to shop in different parts of the country**

The AA is also a fair barometer. According to Robbins, the GIS underpinning the AA's command and control system can locate stranded vehicles and provide a decision support system for the despatchers. But the AA is not just a user. It has turned its GIS investment into a business opportunity as a supplier of geographical information via its distributor Kingswood.

Its experience also highlights the basic obstacle to GIS – the cost. "The data is the problem. These systems make no sense without it and until recently hardware and software vendors did not want to recognise it," Robbins says.

It is this issue which confronts the utilities. BT embarked on one of the UK's most ambitious GIS efforts in 1988 – to computerise its overhead lines and underground ducts.

But the company abandoned the project and decided to concentrate on its local network. Currently it is out to tender again, for GIS hardware and software, with a view to beginning a new pilot in 1993. Those close to the project believe that it was the data capture element which scuppered BT's first attempt.

Roger Morgan, GIS development project manager at Thames Water, puts this experience into context. Thames has a statutory obligation to map its 30,000km of water mains and 80,000km of sewers by 1999. It will have digitised the clean water network by 1995. But the sewers, inherited from local authorities with often poor records, will take three years longer.

According to Morgan, if Thames is going to make such a big investment then it is determined to make the system work. That means the GIS will have to communicate with other corporate databases – job and asset management systems, even billing systems. It will fuel Thames's whole operational and customer service approach.

This sort of integration of diverse systems and databases is beginning to make sense economically. Rather than just describing an infrastructure, GIS must now become a means of analysing and managing it – from pretty pictures to squeezing value from the data.

Andrew Wolfe, managing director of Eurecart, the GIS software arm of French services group Lyonnaise des Eaux Dumez, argues that as well as maximising the impact of GIS, integration will also minimise the traditional data capture effort. The company's object-oriented software, which promises faster, more efficient programming, helps users to combine conventional databases. "It lets them use the data wherever it is now, and simply adds a layer of graphic reference and symbol."

Wolfe's technique is demonstrated in one of the most all-embracing GIS projects yet seen in Europe – an urban reference system for the city of Lyon, France and its environs.

The system is now at the heart of Lyon's city government – from managing its parks and gardens to analysing the effect of roadworks on traffic flow in the city centre. Eventually the system will manage traffic lights automatically and feed the information into the route planning devices in private cars. Today Lyon, tomorrow Basildon.

## Technically Speaking

# Squeezing the life out of innovation

**By Robin Smith-Saville**

Small high-technology manufacturers in the UK and Europe tend to operate in market niches in which US companies set a fast pace of innovation. This makes their products vulnerable to rapid obsolescence. European companies must therefore be particularly innovative in order to gain and keep market share.

But sustaining high-tech product innovation is costly. Unfortunately the European market is still too fragmented and conservative to enable many innovative companies to sell enough units to recover the cost of developing one product before competition forces them to develop its successor.

The dynamic US market, on the other hand, encourages the early development of advanced products and is large enough to fund the full costs of development. This enables US companies to reduce their prices and capture a large share of export markets. And the prices they set in their export markets allow little or no margin for recovery of the development costs of local competitors.

Many European countries recognise the seriousness of the resulting squeeze on the high-tech manufacturing sector and are providing financial assistance for technology and product development. In the UK, the Department of Trade and Industry has introduced the Smart and Spur programmes to provide financial support for product development in small companies.

However, the present schemes have serious deficiencies. Both are under-funded. The Spur scheme claims to pay up to 30 per cent of the (fixed) costs of approved developments. But the overhead recovery rate allowable in calculating these costs is capped at a maximum of 100 per cent of direct employment costs.

Many small high-tech companies must support significant product development, quality assurance and marketing/sales costs, which increase their true overhead rates to 250 per cent or more. In this situation the maximum support only corresponds to 17 per cent of the actual costs.

Assistance on this scale is unlikely to be sufficient to enable the development to proceed. A further deficiency is that decisions regarding the award of support under the Spur scheme are made by DTI staff who generally have neither the technical nor the marketing expertise to select between the proposals presented to them.

The available schemes therefore need considerable improvement before they can provide the support needed by UK high-tech companies. Additional funds need to be made available and they must be applied effectively to generate a good return.

To improve the effectiveness of the support it should continue to be available only to manufacturing companies employing fewer than 500 people. A realistic overhead recovery rate should be allowed, capped at not less than 250 per cent.

The total cost of the proposed development should not exceed a moderate fraction of the total gross margin likely to be generated from sales of the proposed product. Independent data should be provided to confirm that the market is of sufficient size, and the applicant for support should be able to demonstrate that it has previously succeeded in gaining the market share it proposes with one or more of its other products.

The current Smart scheme should be replaced with a new scheme to provide initial assistance to companies which are not yet in a position to qualify for the above type of Spur support. It should be available to companies under five years old which develop products that have good export potential, that can improve industrial processes or that have environmental benefits.

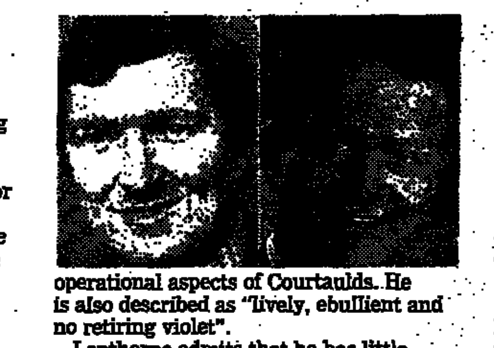
The purpose of these proposed changes is to ensure that the support makes a sufficient contribution to enable small companies to maintain vigorous product development programmes, is given to companies with a proven ability to use it effectively and is awarded on objective criteria.

*The author is managing director of Signal Processors Limited.*



## PEOPLE

# Finance directors for BAe and Courtaulds



When an executive leaves one company and its stock drops sharply in early trading, and the shares of the company he's moving jump, it is clear the City reckons that person to be an outstanding manager.

Richard Lapthorne (right) who, at 49, takes over as British Aerospace's director of finance in July, is well regarded by the chemical industry analysts who have followed his career at Courtaulds, where he has been finance director since 1986.

Rating his departure as a loss for Courtaulds, they described him as a first-rate technical accountant who understands the City. Closely engaged in the tax implications involved in splitting Courtaulds into two companies, he has also been heavily involved in the operational aspects of Courtaulds. He is also described as "lively, ebullient and no retiring violet".

Lapthorne admits that he has little knowledge of his new company; during his interview he had met only members of the board and no line managers. He hopes to bring his experience of tight financial controls and management information systems to BAe, and also "a hatred of bureaucracy".

Lapthorne says he does not intend to stay behind his desk at BAe's headquarters in the Strand. "I enjoy flying and plan to see the businesses so I can understand them. I have a lot to learn and want to get to grips with the operational issues rather than staying office-bound and becoming bored out of my mind."

He is replaced at Courtaulds by Michael Pragnell (left), previously in charge of the coatings business. Pragnell has an MBA from Fontainebleau, but has no formal accountancy qualifications. According to Lapthorne, "Courtaulds has plenty of accountants."

■ Peter Ryan has been appointed non-executive chairman of TORDAY & CARLISLE, replacing Paul Torday who is to concentrate on his duties as group chief executive. Elliott Hirst, md of Oldham Signs, and Gavin Turner, md of Elfab-Hughes, have been appointed to the board; Alex Duma has retired.

■ Michael McLaren has been appointed company secretary of ALPHAMERIC.

■ Alan Lovell, appointed acting chief executive a year ago, has been confirmed as chief executive of CONDER.

■ David Booth has been promoted to finance director of LEX RETAIL GROUP.

■ Andy Proudfoot has been appointed md of Capita Management Consultancy; he moves from KPMG. John Hawkins, previously sales and marketing director of MMC, is appointed marketing director of Telecom Capita. Both companies are part of The CAPITA Group.

■ Richard Fernie is promoted to md of Chubb Electronic Security Products, part of RACAL.

■ William Watson has been appointed company secretary of EUROPEAN COLOUR.

■ Duncan Grier has been promoted to finance director of HOWARD HOLDINGS in place of John Albery who retires in June.

■ Graham Nixon, formerly chief executive, has been appointed executive chairman of FERRY PICKERING GROUP, in place of Peter Wardle who has resigned as non-executive chairman.

■ Bob Scales, md of LMG Fibrenyle, is also appointed md of LAWSON MARDON PLASTICS.

## Man from the Pru advocates financial derivatives

Colin Stiasny, the man who made the Prudential the biggest institutional player in London's financial futures and options markets, is quitting to join MONUMENT DERIVATIVES, a boutique broker which is less than a year old.

After 19 years at the Pru, Stiasny, 41, says that if he was ever going to make a move he had to do it soon. Martin Burton, managing director of the 16-strong firm, says that Stiasny's arrival gives his firm greater credibility among its institutional clients.

Stiasny is one of a growing breed of investment managers who regard the technique of tactical asset allocation with its heavy use of financial derivatives as an increasingly important investment tool. Although he refuses to discuss the scale of the Pru's involvement in the use of financial derivatives, it is widely regarded as one of the keys to its successful investment performance in recent years.

It is becoming increasingly difficult and expensive for big fund managers to switch large sums of money between different types of assets at short notice by traditional means. "My job will be to persuade other institutions to do what the Pru was doing and make much greater use of the financial derivatives," says Stiasny.

■ Glenn Gordon, a fifth generation member of the founding family, has been appointed managing director of William Grant & Sons, the independent Scotch whisky distiller, from September.

For the past 15 years, Sandy Grant Gordon has combined the roles of chairman and managing director but the board has now decided that they should be split. Grant Gordon will continue as chairman.

Glenn Gordon, at present production director of the company, noted for its Glenfiddich malt whisky, is a graduate of Yale and a Stanford MBA; he worked with Procter & Gamble and McKinsey before joining the company which was founded by his great-great-grandfather, William Grant, in 1886.

## Bernays poached by Hill Samuel

Richard Bernays, one of the top executives at Mercury Asset Management, has been poached by the TSB to be chief executive of its Hill Samuel Investment Management Group.

Bernays, 49, replaces Neville Bowen, 56, who left earlier this year to head up Citibank Global Asset Management. HSIMG is one of Britain's largest fund managers with over £24bn under management or advice in a hotchpotch of investment businesses in the UK and overseas.

Hill Samuel's investment performance has been improving; and Hill Samuel chief executive Hugh Freedberg says that profits on this side of the business have risen by 70 per cent over the past three years to £12.2m. However, it is still a very poor return for a group which has £24bn of funds under management and it is felt that HSIMG could benefit from a clearer sense of direction. Freedberg says that he has been looking for a "blue chip name from a blue chip house", to head the operation for some time.

Persuading Bernays to defect from Mercury Asset Management, where he is one of several vice-chairmen, is quite a coup for Freedberg. Mercury is the biggest and most successful of London's publicly-quoted fund managers and its top management team has been remarkably stable. However, James Dawnay, chairman of Mercury Fund Managers, left in November to join Martin Currie, and now Bernays, who has been with the group for 20 years, is on the move.

'Sparrows', 1972, by Wu Guanzhong: his career mirrors China itself, torn between old and new

# Chinese artist who weathered the revolution

Wu Guanzhong is a figure more characteristic of the oriental than the occidental cultures, an artist schooled in the ancient tradition of his country yet avowedly modern in practice and intention. Whether or not he reconciles the old with the new is another matter, but it is that polarity that makes his work none remarkable and intriguing. Indeed it presents the dilemma with particular force, for the circumstances of his career are those of China itself over the past 60 years, torn between the old ways and the modern world, still unsure of where the commitment should lie.

He was born in 1919 in Jiangsu province. It was at the University to the Academy of Art, Hangzhou, that he first became aware of modern western art, in particular that of the impressionists, the post-impressionists and fauves. But during the Sino-Japanese War, which broke out in 1937, the school was merged with the Peking Academy.

Before the war the policy had been to expose students to foreign influence and many of Wu's teachers had studied abroad in Europe and Japan. His turn came in 1946 when the post-War government reintroduced the system and he was one of three artists to win travelling scholarships to Europe. He spent three years in Paris, returning in 1950 to teach at the Central Academy in Peking. By this time, however, Socialist Realism was asserting itself as the new orthodoxy and sole alternative to the traditional schools. As a teacher, Wu's opportunities were inevitably constricted, but he was at least free to carry on his own work more or less as he pleased.

With the Cultural Revolution of 1966, all that changed. Along with his colleagues and students he was committed to hard labour in the countryside and, for the three years from 1969, not allowed to paint at all. In 1972 his situation eased somewhat when recalled to Peking, though the move was marked by his readoption of the imagery and techniques of the Chinese ink and paper tradition that he had been taught as a student.

Since 1976 and the Revolution's end, his artistic freedom has been uninhibited, but, as this exhibition so clearly demonstrates, he has continued for the most part with ink and paper, and remained consciously much closer to the traditional preoccupations than he was before. In recent years Wu has again travelled widely and his work has been shown in Japan, Russia, America, India, Hong Kong and the Middle East, but not hitherto in Europe. This show at the British Museum is a notable first.

To concentrate so much on the biography is neither to deny nor evade the work itself, but very much to inform it in what is a special case. Here we have the work of the 20 years since that return from internal exile, the oil paintings and the works on paper, the topographical studies, the modest and charming landscapes in the manner of later post-impressionism, shades of Van Gogh, Matisse and Derain. Here too are the larger, freer, more consciously ambitious works that teeter on the verge of figuration and yet remain wonderfully descriptive and evocative, embracing at once abstraction, modernism, tradition and the old calligraphy.

Wu is at his best when least self-consciously modern, indeed when least concerned to demonstrate the western conventions. His work in the western manner is competent enough but by no means exceptional. But as we move on to the principal works on paper, dating mostly from the 1980s to, it would seem, the day before yesterday, with their swirling floods of ink, their nervous, active line and instinctive, decorative handling of the surface, we come to something truly original and as visually joyful as anything seen here in a long time.

The bright-eyed birds blink out from a Banyan Forest that is as free and confident in its abstraction as a Jackson Pollock, though no less a forest for that. Trees and Temple roofs peer over the great rockery or "false mountain" of the Lion Grove Garden, a calligraphic rock face as active as anything of Mark Tobey. The exquisite Lace Bark Pine twists and writhes before the Imperial Household at Peking, a tree that with its fellows, in every year of the Qing dynasty, between 1644 and 1911, was given a salary of hundreds of silver pieces.

This late and easy acceptance of meaning and particular association in the work, steeped in the Buddhist tradition, is at the heart of the matter. For Wu there is, or is no longer, anything of the western modernist critical opposition between form and content. "I love wistaria", he says, "the hoary strength, the gnarled crookedness, the creeping and the spreading of its sinews and bones, and I love its noble bearing and charm ... In the Lion Grove Garden at Suzhou is the wistaria planted by the painter Wen Zhengmin (1470-1559) and to this day the trunk and leaves conceal the sky ...": and this of one of the freest and most abstracted of the paintings of the 1990s.

Here, so it would seem, we have again an old and universal paradox. The artist, no longer embattled, sees his former necessities fall away, the public front to keep up, the principle to uphold. And that freedom he so long defended is now not indulged as something quite distinct, so much as naturally reconciled to the tradition. But that freedom is still there, even so.

**William Packer**

*Wu Guanzhong: A 20th Century Chinese Painter* British Museum until May 10.

London music

# Jon Kimura Parker

This Canadian pianist (half Japanese by birth) won the Leeds Competition in 1984, against the likes of his compatriot Louis Lortie, but we still await significant developments. His last solo programme here, a couple of years ago in the Queen Elizabeth Hall, included pianistic war-horses that signally failed to gallop. In the Royal Festival Hall on Sunday he played less showy Schumann and Chopin better, efficiently and with evident sincerity – but without surprises, special insights or anything much like individual character beyond a few tics.

Though the natural Kimura Parker personality seems to be ebullient, if not exactly effervescent, it was kept on a close rein. "A well-known personality in Canada, he has hosted radio and television programmes for the Canadian Broadcasting Corporation," the programme-book told us: could that be the trouble? Having to sell oneself purely as a performer-interpreter might concentrate the mind much better.

Neither Schumann's *Faschingsschwank aus Wien* nor even his earlier *Papillons* is buttoned-up music, but in Kimura Parker's respectful hands they sounded tame, short-breathed and short of variety. One brief, happy flash was the D-flat waltz episode in the eighth of the *Papillons*, which he invested with a delectable lilt; but in most of the other quasi-waltzes in *Papillons* and especially in the *Faschingsschwank*, his habit of underweighting the third beat in the bar starved them of their proper heft and *Schwung*.

A worse habit might be a result of early admonitions to Bring Out the Tune. Again and again in his Schumann and in Chopin's complete op. 28 Preludes, tunes were Brought Out with a percussive note-by-note "ping", as if to make sure that even the dimmest audience shouldn't miss them: prettily crystalline, here and there, but inimical to singing curves or suggestive shadings. The effect was deadly in the rapturous Intermezzo of the *Faschingsschwank* – plonking and prosaic, without *élan*, not at all what was meant by Schumann's "Mit grösster Energie".

There was a complementary downplaying of "accompaniments", even those designed not only to gleam but to interact expressively with the lyrical burden. In Chopin's F-sharp minor prelude the seething figuration shrank to a soft, oleaginous mutter, and we scarcely heard the buoyant underpinning of the E-flat one. The preludes which are largely figuration *without* "tunes" – the D major, the E-flat minor – rattled along featurelessly.

In like fashion, the main rondo-themes of the *Faschingsschwank*'s outer movements were robbed of their impetus because the busy finger-work which should power them was reduced to a discreet background: as if Romantic composers always traded in routine 19th-century feeling, with arbitrary titivation that can be flattened without musical loss. The bald fact is that many other pianists, no less scrupulously devoted, are far more interesting to hear in such music. Why should Kimura Parker want to compete in this area?

With his first encore, a Rakhmaninov prelude, we suddenly heard a pianist wholeheartedly attuned to what he was playing: a lovely sound-idyll with a fluent, penetrating line, full of unconstrained feeling. If an extrovert West Coast person like him feels overawed by the classical Austro-German repertoire, he should embrace what comes more naturally. Hyper-educated Austro-Germans are already a glut on the market.

**David Murray**

# Kathleen Ferrier Awards

As the number of singing competitions multiplies, so the need becomes more pressing for each to attract public attention and the sponsorship necessary for large prizes. There has been some ungainly leap-frogging this year, as each competition tries to keep a nose ahead of its rivals.

On Friday it was the final of the Kathleen Ferrier Memorial Scholarship, founded in 1953 and the most senior of the awards. This is the 80th anniversary of Ferrier's birth (how heartening to find all her recordings available on CD), though that will not have been the only reason for the enhanced profile of the competition this year. The prize money was well up; and television cameras were noisily present, always choosing just the wrong moment to change their films or shift across the hall to get a better angle.

The venue had also been changed to St. John's, Smith Square, while the Wigmore Hall is closed. For the ten finalists this will not have been a minor consideration: St. John's is a difficult hall for singers, given to long reverberance even when it is as well filled as it was on Friday, and the competitor with the larger voice is likely to be at an advantage.

At first it seemed an equal and not very impressive line-up. Then two candidates of outstanding quality followed one after the other: the baritone Nathan Berg and the contralto Alice Coote. Berg, who had already taken a prize in the BP Peter Pears Competition last year, is fast becoming the complete artist and his expressive voice is matched by an increasingly mature musicianship, memorably so in his Mahler song.

Coote had the larger voice, firm and strong in tone, enunciating those fateful words "Es ist vollbracht" from Bach's *St. John Passion* with a chilling air of finality. A choice between the two was difficult. I would have been tempted to proclaim a tie, with third prize going to the baritone Gwyn Hughes Jones, whose singing of Verdi's *Don Carlos*, impressively long-breathed if less striking as pure voice, made a stirring end to the evening.

The judges felt differently, as invariably happens when their impressions have been formed over the whole week of the competition. First prize went to Gwyn Hughes Jones; second, though only a whisker behind, Nathan Berg; and third, Alice Coote. All three should have successful careers in front of them.

**Richard Fairman**

# Merce Cunningham Dance Company

When Merce Cunningham, in the 1950s, began using chance procedures such as dice-rolling and coin-tossing to structure his dances, he was trying to return to the essence of dancing, movement itself. In his view, the conventional ways of structuring a dance – making it tell a story, making it illustrate a musical score – obscured the dancing by bending it to the service of something foreign. As long as the sweep of an arm was dictated by some other necessity, it was less a sweep, less an arm.

Hence Cunningham's conversion to chance. If, in deciding how many dancers to put on the stage or where a given section of the dancing should fall, he rolled the dice and let the dice decide, he could short-circuit the mind's sentimentalities and, he hoped, produce something like Pure dance, with all its bright edges.

He has had his wish. Cunningham has now been choreographing for 50 years, and the most striking characteristic of his work, aside from its formal beauty, is its objectivity. No dancing on the American stage today is freer of sentimental pretension. Cunningham's dancers move like animals: straightforward, unselfconscious. And, by a familiar paradox, this objectivity gives them a huge subjective force. Just as landscape painting can sometimes turn up human truths, so Cunningham's dancers, darting about like birds or fish, evoke states of the soul.

Actually, Cunningham's dances often seem like landscapes. They have that mood – contemplative. A beautiful example is *Loosestrife*, one of the three new dances presented during the Cunningham company's recent season at New York's City Center. Named after a species of wildflower, *Loosestrife* is a quiet piece in which the dancers seem to communicate in a special, hidden language. One dancer (the lovely, coltish Larissa McGoldrick) does a long solo, and five others sit and watch. Two dancers perform a duet while another (the superb Victoria Finlayson) encircles them with a string of dainty little leaps, like a golden chain.

In most Cunningham works entrances are very important, but never more so than in *Loosestrife*. Again and again one dancer will leave and another enter as several remain dancing on the stage. When this happens, the very air seems altered by the new person's arrival. In fact, the person may have entered quite unobtrusively, but this is Cunningham's gift – to magnify movement, to turn his stage into a world and then make the whole world seem to change when someone walks in.

The two other new works, *Change of Address* and *Beach Birds*, were both marked by a rather strange mix of greater literalism and greater obscurity than one is used to seeing in Cunningham. In *Beach Birds*, danced to a score by John Cage, the dancers seemed actually to represent birds. They balanced on one leg like storks; they spread their arms like wings. Later in the dance, however, the bird metaphor was unceremoniously abandoned. The dancers began making thick, twisted moves and laying black-gloved hands on one another's white legs in a manner that was distinctly at odds with the sunrise-over-the-archipelago mood of the opening. All three new pieces, furthermore, were heavily loaded with what seemed gratuitously awkward movements.

Many people have noted that Cunningham's work has become more freighted with emotion in the last decade. In 1990 Cunningham started using a computer as an aid in composing his dances. These two opposing developments may account for the oddly literal and oddly counterliteral quality of the new works. Thesis, antithesis. One looks forward to the synthesis.

***Joan Acocella***

City Centre Theater, New York

# Sonny Rollins

The endlessly unfolding cadenzas of saxophone colossus Sonny Rollins temporarily displaced the warblings of *Joseph and his Technicolor Dreamcoat* from the London Palladium on Sunday. Accompanied by his regular, submissive but swinging rhythm section, Rollins is in powerful form and expansive as ever with the rag bag of tunes he always carries with him.

From the calypso-esque original "Duke of Iron", through standards like "Darn That Dream" to the soft C & W corn of "Tennessee Waltz", 62 year old Rollins blows a sirocco – small wonder he now needs a day between concerts to recuperate. The formula has remained unchanged over recent years. Rollins – who has the look of an animated Easter Island sculpture in sunglasses – fronts a slavish electric rhythm section of young Jerome Harris on guitar, the undulating bass of Bob Cranshaw and the spartan drumming of Yoron Israel. Mark Soskin, a pianist who combines economy with melody and the rolling trombone of Clifton Anderson complete the line-up.

The structure of the band – and arrangements – exists only to to serve Rollins' full bodied horn playing. The flowing improvisation, packed with witty and melodious quotes, is irresistible. Even where he sets out with an apparently unconvincing groove like his own trademark, "Don't Stop The Carnival", Rollins turns it inside out and back again so seamlessly that only a punning bar dropped in here and there prevents you from swooning.

The rest of the team do not get much of a look in, save Anderson whose bubbling solos provide a breathing space for Rollins. Mostly they jog along beside the boss, Cranshaw urging them along with a golden toned and swinging bass line, Harris chipping off chords alongside Soskin. Economical as he is with their talents, Rollins band provides a perfectly sprung setting for his soaring flights.

Life and music have not always been so easy on Rollins and it has sometimes taken lengthy sabbaticals for him to find his own way – through bop, free jazz and fusion – to arrive at this essence of improvisation. But, with a new record on the racks, *Here's to the people* (Milestone), the combination of straight rhythm, obvious hooks and a vital way with strangely familiar material seems to satisfy him now.

**Garry Booth**

*INTERNATIONAL*

# ARTS GUIDE

TODAY'S EVENTS

## ■ AMSTERDAM

**Muziektheater** 20.00 Mstislav Rostropovich conducts Schnittke's Life with an Idiot, with a cast including Dale Duesing and Teresa Ringholz. Repeated on Thurs (6255 455)
**Concertgebouw** 20.15 Chamber music recital, with works by Debussy, Milhaud and Messiaen. Tomorrow, Fri and Sat: Sawallisch conducts the Royal Concertgebouw Orchestra (6718 345)

## ■ BERLIN

***Deutsche Oper*** *19.30 Gwyneth* Jones sings Tosca. Tomorrow:Madama Butterfly with Catherine Malfitano (West Berlin 3410 249)
**Staatsoper unter den Linden** 19.00 Der Freischutz with Magdalena Hajossyova, Reiner Goldberg and Ekkehard Wlaschiha. Tomorrow: Sleeping Beauty (East Berlin 2004 762)
Komische Oper 20.00 Theo Adam in an orchestral concert featuring Shostakovich's Michelangelo Suite and Tchaikovsky's Sixth Symphony (East Berlin 2292 555)

## ■ BOLOGNA

**Teatro Communale** 20.30 Roberto Abbado conducts first night of Lorenzo Mariani's production of Luisa Miller, with Kallen Esperian, Dennis O'Neill and Paolo Coni. Until May 10, with next performances on Thurs, Sat and Sun afternoon (529999)

## ■ BRUSSELS

**Palais des Beaux Arts** 20.00 Trio Bruggen, Leonhardt and Bijlsma in an Italian baroque programme. Thurs: Brussels Choral Society in Haydn's Creation (507 8200)
***Monnaie*** *20.00 Guido* Johannes Rumstadt conducts John Cox's production of The Rake's Progress, designed by David Hockney, *also Thurs and Sat* (219 6341)

## ■ COLOGNE

**THEATRE/DANCE**
Tonight's performance at the **Schauspielhaus** is Dürrenmatt's 1956 play The Visit, about an ageing millionairess who is bent on vengeance upon the illustrious man who wronged her many years before.
The repertory also includes plays by Schiller, Brecht, Maxim Gorki and Heiner Müller.
Saturday : The new Tanzforum ballet by the New York choreographer Jennifer Muller (221 8400)
**MUSIC**
The **Opernhaus** has Carmen tonight, Thurs and Sun, plus Entfuhrung tomorrow and Der fliegende Hollander (Robert Hale) on Sat (221 8400).
Tonight's programme at the Philharmonie is Eisenstein's 1925 silent film Armoured Cruiser Potemkin, with live orchestral accompaniment.
Roland Hermann is baritone soloist in tomorrow's concert of works by Schoeck and Wolfgang Rihm.
Sat: Jiri Belohlavek conducts the Cologne Radio Symphony Orchestra (2801)

## ■ GOTHENBURG

**Konserthus** 19.30 Song recital by Anne Sofie von Otter, *accompanied by Bengt Forsberg* (167000)

## ■ LONDON

**Covent Garden** 19.30 Sylvie Guillem stars in Kenneth MacMillan's Royal Ballet *production of Manon, repeated* on Thurs with Darcey Bussell. Tomorrow: The Fiery Angel (071-240 1066)
**Sadler's Wells** 19.30 D'Oyly Carte Opera Company opens a two-week Gilbert and Sullivan season featuring The Mikado and The Yeomen of the Guard (071-278 8916)

## ■ NEW YORK

***JAZZ***
**Blue Note Jazz Club and Restaurant**
Two jazz masters and their quintets make up this week's programme: saxist Phil Woods *with his acclaimed acoustic* group, and Louie Bellson, last of the great swing drummers. Showtimes at 21.00 and 23.30, plus an extra show at 01.30 on Fri and Sat (131 West 3rd St, 475 8592)
**DANCE**
**Joyce Theater** 20.00 Lines Contemporary Ballet: triple bill including world premiere of new work by Alonzo King, with music by G I Gurdjieff and Thomas de Hartmann. Daily until Sun (175 Eighth Ave at 19th St, 242 0800)
**State Theater** 20.00 New York *City* Ballet in Peter Martins' 1991 production of Sleeping Beauty, daily except Mon until May 10 (870 5570)
**Metropolitan Opera** 20.00 American Ballet Theatre production of Giselle, also tomorrow (362 6000)
***MUSIC***
**Carnegie Hall** 20.00 Pinchas Zukerman, accompanied by Marc Neikrug, plays music by Mozart, Beethoven, *Schumann* and Takemitsu.
Tomorrow and Thurs: Previn conducts the Dresden Staatskapelle (247 7800)

## ■ PARIS

**MUSIC**
**Palais Garnier** 19.30 Rene Jacobs conducts Concerto Köln in Giulio Cesare, with Jennifer Larmore, Barbara Schlick and Derek Lee Ragin (4017 3535)
**Opera Bastille** 20.00 Song recital by Frederica von Stade, accompanied by Martin Katz. Tomorrow and Sat: Les Contes d'Hoffmann (4001 1616)

**THEATRE**
Tonight's performance at the Comedie Francaise (4015 0015) is a Moliere *double-bill*, La Comtesse d'Escarbagnas and the three-act comedy George Dandin, directed by Jacques Lassalle (in repertory until *July*, currently alternating with Victor Hugo's Le Roi s'amuse and Brecht's Galileo).
**The Theatre National de Chaillot** (4727 8115) has Twelfth Night directed by Jérôme Savary (daily except Mon until June 20). At the **Théâtre Essaion** (4278 4642), Jean Bois directs Titre Provisoire, his nostalgic play about love and reality (daily *except Sun till May 31*).
● A 24-hour phone guide to Paris entertainments is available in English by dialling 4720 8898

## ■ STOCKHOLM

Tonight's performance at the **Royal Opera** is John Neumeier's ballet A Midsummer Night's Dream, also Thurs and Fri. Katia Ricciarelli in tomorrow's performance of Donizetti's Maria Stuarda. Sat: Le nozze di Figaro (248240). Tomorrow at the **Konserthuset**: Gennady Rozhdestvensky conducts the Stockholm Philharmonic Orchestra in works by Berlioz and Stravinsky (244130)

## ■ WASHINGTON

**MUSIC/DANCE/THEATRE**
***Kennedy Center***
The Stuttgart Ballet is in residence at the **Opera House** for the next two weeks. Tonight till Sun: Marcia Haydée's new production of Sleeping Beauty. *Next week: Kylian and Neumeier* programme, plus John Cranko's Evgeny Onegin. Tonight's National Symphony Orchestra *concert is conducted by Hermann* Michael and includes symphonies by Haydn and Schumann, plus Liszt's First Piano Concerto with *Jean-Yves Thibaudet. Tomorrow* in the **Eisenhower Theater**, Berlin's Theater des Westens opens a ten-day run of Cabaret, *a musical revue evoking the* nightclub style that flourished in the 1920s and early 1930s (467 4600).
**JAZZ/CABARET**
**Blues Alley Jazz Supperclub** This week's guest (Thurs to Sun) is singer Angela Bofill (1073 Wisconsin Ave, in the alley, 337 4141)
**Barns of Wolf Trap** Tonight's show, Guitar Wizards, brings together several folk guitar traditions. The diverse traditions include country, blues and Hawaiian, with Wayne Henderson, the blues legend Robert Lockwood and the Hawaiian slack key specialist Ledward Kaapana.
Friday: Europe in America, focusing on immigrant music traditions in rural Texas and northern cities, with Alfred Vrazel and his family polka band, a *Croatian tamburitza ensemble* and a group of Irish musicians from Washington, Boston, New York and Philadelphia (703-938 2404)

## European Cable and Satellite Business TV

(all times CET)

**MONDAY TO FRIDAY**

*CNN*
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin *Chapman*

*Super Channel*
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business *Weekly – global business report* with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

*Sky News*
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

**SATURDAY**

*CNN*
*0900-0930 World Business This* Week - a joint FT/CNN production
1900-1930 World Business This Week

*Super Channel*
1930-2000 FT Eastern Europe Report

**SUNDAY**

*CNN*
1030-1100, 1800-1830 World Business This Week

*Super Channel*
*1800-1830 FT Business Weekly*

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# The G7 at an impasse

IF MEETINGS of finance ministers and central bank governors of the group of seven leading industrial countries were intended to deliver day-to-day, co-ordinated management of the global economy, then its latest one would have to be judged disappointing. From the American perspective – that the G7 should concentrate, first and foremost, on promoting global economic growth this year, next year or, indeed, in any year – the meeting in Washington must have been a failure. Happily, it was not, or at least not altogether. It has, at least, pushed the case for aid to the former Soviet Union up the international agenda, though over liberalisation of world trade the G7 remains an egregious flop.

With his remark that the G7 should spend more time thinking about world growth, the US Treasury secretary, Nicholas Brady, was speaking oft-repeated lines. Equally familiar by now was the response of the two addressees: Germany and Japan. In this case, the Japanese refusal to accept a fiscal commitment even prolonged the meeting by two hours.

It was not always thus. "Co-ordination" used to mean that the US did what it wanted, while everybody else also did what the US wanted. Now it means that the major players first argue with one another, whereupon each does precisely what it wants.

## No accident

This decline of American leadership is no accident. It reflects the reduction in American geo-strategic leverage upon its principal allies after the collapse of the Soviet Union, the poor quality of much US economic policymaking, the weak intellectual case for a monetary and fiscal policy oriented primarily to short-term growth and, not least, the legacy of past German and Japanese obedience to American behests.

Germany only flirted, and that rather briefly, with global exchange rate stabilisation and the search for short-term economic growth. Japan, by contrast, was seduced. The short-term result was rapid monetary expansion and asset price inflation. The longer-term result has been the asset price deflation and economic miseries of today.

No wonder then that the Japanese are unwilling to risk the stability they have been trying to regain in return for renewed pursuit of short-term growth. Furthermore, the asset price collapse has been matched by that in the influence of the politicians. Nobody can now force the Ministry of Finance to relax the fiscal reins or the Bank of Japan to loosen the monetary ones.

## Intensely irritating

Meanwhile, calls from Washington for smaller fiscal deficits must be intensely irritating to the Germans. US policymakers have, after all, called for a fiscal boost by Germany almost every year since the G7 was formed. More irritating still, the US has itself followed the most consistently profligate fiscal policy of the three major economies. If global interest rates are to fall – as, indeed, they must – the US must put its own fiscal house in order. Otherwise real rates of interest on American long-term bonds are unlikely to fall from their current high levels.

However inhibited the US may be in putting its case, it does have one. Fiscal flexibility in Japan would be desirable. Equally, current European monetary policy is inappropriate to European conditions. Europe has a single monetary policy, but one dedicated to stability within only one region. Worse, that region is in the throes of an exceptional shock to its economic and political stability, as the current strikes in Germany bear witness. Europe now suffers from most of the disadvantages of economic and monetary union, but gains none of the advantages.

The G7 log-jam is only likely to be broken by changed economic circumstances among the main players. The world must hope, instead, that the International Monetary Fund is right to forecast strong recovery next year. In the meantime, the G7 has been right to focus attention on providing support to the reforming countries of eastern Europe and the former Soviet Union. Equally important, however, is completion of the Uruguay Round of multilateral trade negotiations. G7 summits have twice promised a successful end to these negotiations; twice they have failed. The leaders of the G7 cannot afford to leave the issue unresolved until they next meet, in Munich this summer.

# The challenge for legal reformers

THE WEARING of wigs in court is, according to Lord Hailsham, the former Lord Chancellor, a matter of the utmost unimportance. More fairly, it might be said that in deciding to consult judges on the matter, Lord Taylor, the new Lord Chief Justice, has made a symbolic gesture towards more open and user-friendly justice. But it is no more than that.

Lord Taylor will need to go much further. A series of damaging miscarriages of justice has shaken public confidence in the courts and the judiciary. A great deal is expected of him in restoring that confidence, but the task will not be easy.

First, he is unable to wipe the slate clean and start afresh. One of his first tasks will be to hear the appeal of Miss Judith Ward, whose conviction for the 1974 M62 coach bombing is now widely regarded as unsafe. There are other alleged miscarriages of justice in the pipeline, all likely to reinforce disquiet with the system.

Second, there is a limit to what the Lord Chief Justice can achieve on his own. Ranked second to the Lord Chancellor in the judicial hierarchy, his primary responsibilities are to run the criminal courts and communicate with judges and magistrates. Most of his time will be spent presiding over the Criminal Division of the Appeal Court, but he also sits occasionally as a trial judge.

His main sphere of influence lies in formulating sentencing guidelines. Britain imprisons more people per capita than any other western European state. Radical sentencing reform is needed to reduce pressure on the UK's old and decaying prison system. Lord Taylor must convince judges and magistrates of the wisdom of avoiding custodial sentences in most cases where the offender poses no threat to the public.

## Out of touch

There are other areas where he can have an influence. If he is serious about accessible justice he could persuade judges to provide short summaries of their judgments in language which can readily be understood by the public. If he senses judges are out of touch, he could initiate research to find out why. He should stand up for the jury system and the defendant's right to silence.

In other areas, Lord Taylor will need to co-operate more closely with government than his predecessor did. As one of the Lord Chancellor's closest advisers on judicial appointments he could actively promote the appointment of more women and ethnic minority judges. And he could encourage the Home Office to set up a sentencing council to establish a more consistent approach. Unfortunately he appears unwilling to use his position in this way – at a press conference on the day of his appointment he mounted a strong defence of the status quo. Already there are signs that, like his predecessor, he is in danger of distancing himself from the politicians in the superficial belief that this will bolster judicial independence.

## Public confidence

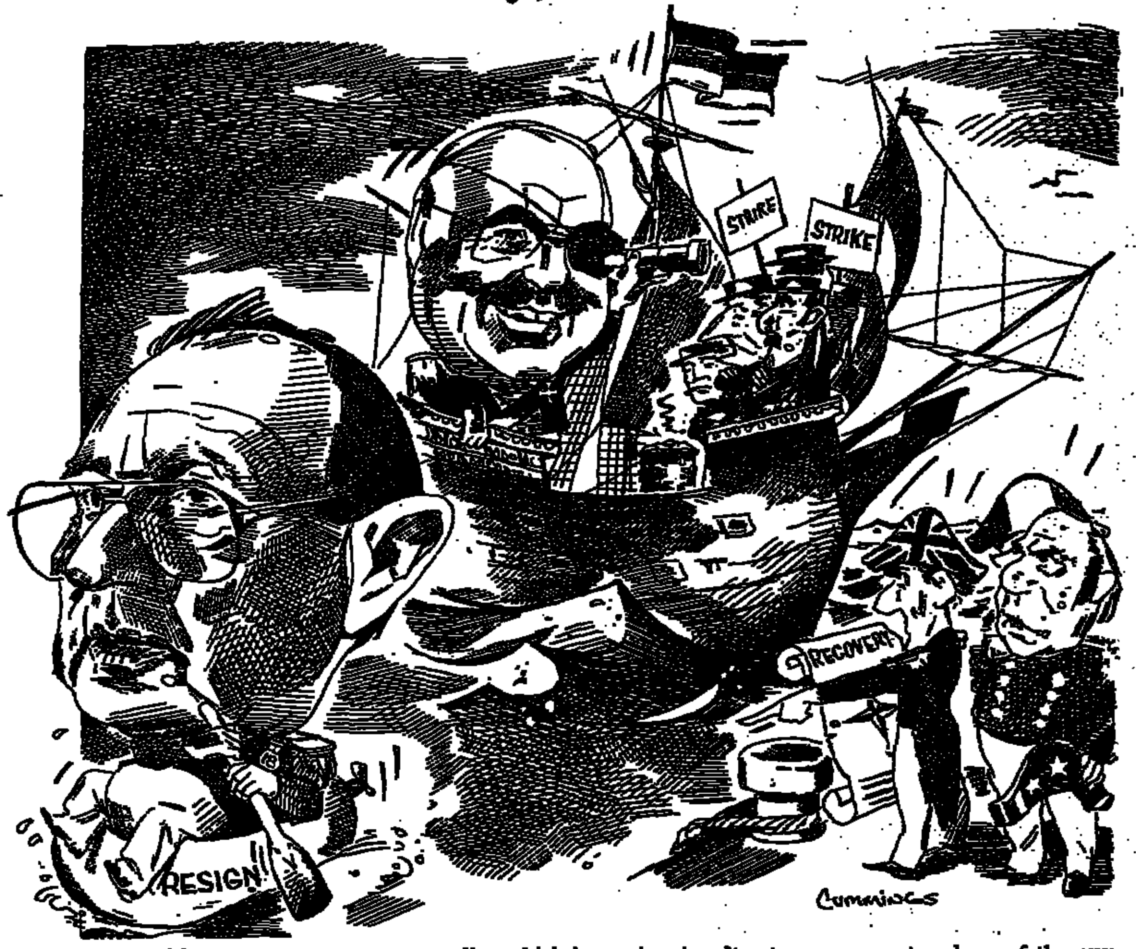
Further changes at the top of the judiciary may strengthen the hand of the reformers. Lord Donaldson, Master of the Rolls and Britain's senior civil court judge, is expected to retire in July. Lord Mackay, the Lord Chancellor may also step down in the autumn. Their replacement by judges as committed to restoring public confidence in the system as Lord Taylor professes to be could provide the climate for more radical change.

Changes of this sort are essential if the ground is to be well prepared for next year's report of the Royal Commission on Criminal Justice, which will also cover matters such as legal aid, the police and the prison service which lie outside the control of the judiciary.

The government, which has a disappointing record on law and order, will also need to give a strong lead. The new home secretary, Mr Kenneth Clarke, has demonstrated his ability to take on the vested interests of teachers and the health professionals, and may now repeat the exercise with the police and prison service. If he were to use his influence to promote reform of the judiciary and courts, the newly appointed leaders of the judiciary would be hard pressed to oppose it in the way the old-guard turned their face against Lord Mackay's reforms of the legal profession.

# Squalls around the ship of state

## Resignations, strikes and the budget deficit threaten Germany, writes Quentin Peel




Clearly Mr Hans-Dietrich Genscher, Germany's seemingly immortal foreign minister, thought it was a good moment to give an intimation of his mortality.

His decision to resign next month, on the 18th anniversary of his appointment, was designed to cause the minimum possible disruption to his own political party, to Chancellor Helmut Kohl's coalition government, and to German foreign policy in general.

There are no elections in the German political calendar for 18 months – an extraordinary breathing space for that country. Two state elections have just taken place, albeit with indications of voter fatigue and a disturbing protest vote for the far right, against the main political parties.

As for foreign policy, Mr Genscher expressed his confidence that the guidelines had been firmly set by his own fair hand. "The commitment of our foreign policy to Europe is irreversible," he told his colleagues in the presidium of the Free Democratic Party (FDP). "We set our European convictions against any new nationalism. We set the value of our constitution and a policy of international responsibility against any power politics. And we know that things cannot go well for long in western Europe if things go badly in eastern Europe."

He leaves behind a Germany committed on the one hand to European political and monetary union, through the Maastricht Treaty, and on the other to maximum openness towards eastern Europe and the former Soviet Union.

Whatever Mr Genscher may have thought, however, the timing of his departure could scarcely look more disruptive from an international point of view.

His letter to Chancellor Kohl was published on the very day that Germany was plunging into the first all-out public sector strike for 18 years; the popularity of the coalition has suddenly slid to a new low; the finances of the government are overstretched and the business community is miserable; and the rest of the western industrialised world is banging on the table in Washington and calling for Bonn to put its house in order for fear of a worse international recession.

Not only that, but a second government minister – Mrs Gerda Hasselfeldt, the minister of health – quit on the same day, apparently overwhelmed by the cares of office, and tainted by a spy scandal affecting her closest adviser.

Yet Mr Kohl, like Mr Genscher, appears unperturbed. As far as he is concerned, it is government as usual. He does not intend a serious cabinet reshuffle, nor to change his budgetary plans, nor to improve his pay offer to the public sector unions; and he is not going to tell the German Bundesbank to change its interest rate policy.

Is he oblivious, and the cataclysm is about to engulf him? Or is he a wise old statesman steering a steady course through a little choppy water?

There is no doubt that the departure of Mr Genscher removes a mine of experience, a man who has known every leading statesman in east and west for almost two decades, who has followed every turn of European Community policy, and who has successfully related foreign policy to the German in the street. The latest opinion poll in Der Spiegel magazine gave him a positive rating of 77 per cent – more than any other active politician, and far more than Mr Kohl himself, with 54 per cent.

The same poll shows the popularity of the coalition sliding – Mr Kohl's Christian Democrats (CDU) are down to 37 per cent, although Mr Genscher's FDP is steady on 10 per cent. Another poll yesterday by the Forsa institute, a market research group, marked the CDU, and its Bavarian sister party, the CSU, down to only 33 per cent, with the opposition Social Democrats moving up to 41 per cent.

Against that background, the government cannot but suffer from the loss of its most popular member. It also seems likely that the FDP will suffer, even if Mr Genscher continues to play a role in internal affairs. The FDP has survived as the kingmaker, the swing party between the Christian Democrats and Social Democrats, largely thanks to the acute political instincts of the foreign minister. The three party members who remain in the cabinet – Mrs Irmgard Schwaetzer, his successor, Mr Jürgen Möllemann, the economics minister, and Mr Klaus Kinkel, the justice minister – cannot match his cunning.

And yet the departure of Mr Genscher is not all negative.Indeed many of Germany's partners, and Mr Genscher's political rivals, not least in the German foreign ministry, will see it as a positive relief.

A western diplomat in Bonn, asked last year whether German foreign policy was becoming overbearing, remarked: "It is not German policy which is overbearing. It is Hans-Dietrich Genscher."

Although Mr Genscher may believe he has left clear guidelines for the conduct of German foreign policy, the country's search for a post-Cold War identity has only just begun. Since unification, the foreign minister has seemed increasingly out of touch with the real political power in Bonn, which has resided in the Chancellor's office. Mr Kohl has been the key policymaker on the European Community, and he is also the key figure in relations with the US.

Thus Mr Kohl may have good reason to welcome the resignation, creating as it does a useful vacuum in which a somewhat more sensitive foreign policy in style can be drafted, if not fundamentally different in substance. With the resignation just four weeks ago of Mr Gerhard Stoltenberg as defence minister, it means that both key external relations jobs are now in the hands of the new political generation.

What is more baffling is why the chancellor should be also so apparently unperturbed on the economic front. For there he is boxed in with problems on every side.

The public sector strike, however disruptive or short-lived it may prove, is a symptom of something more profound: the unwillingness of the ordinary west German worker to pay a greater share of the ever more daunting cost of unification.

At the same time, Mr Kohl's partners in the Group of Seven industrialised nations, to whom he will play host at the Munich world economic summit in July, insist that he is already trying to finance too much through borrowing, forcing up German interest rates, and thus threatening the recovery prospects of the rest of western Europe and the international economy.

It is a moot point, and an acutely sensitive one. On the one hand it is clear that the cost of capital transfers, both public and private, from west to east, is causing a haemorrhage from the once resilient western economy, without as yet showing any real sign of an increase in eastern productive capacity. Total federal government transfers to the east for 1992 are estimated by Germany's leading economic institutes at DM150bn (£51.5bn). But the large expenditure has so far failed "to spark the expected powerful, self-supporting recovery process".

Mr Kohl and his finance minister, Mr Theo Waigel, are in a bind. On the one hand they have promised to limit federal expenditure increases to 2.5 per cent a year over the next four years. Yet expenditure on transfers to eastern Germany is forecast to rise by 17 per cent in 1992 over 1991. That means an overall budget growth rate of 5 per cent, which in turn implies that federal spending in western Germany must actually fall by a real 4 per cent this year to meet the 2.5 per cent target. The German government rejects US calculations that its budget deficit amounts to as much as 6 per cent of its GDP, insisting that even when borrowing for the railways and telecommunications is included it will not exceed 4.5 per cent.

Mr Waigel has promised a budget austerity drive "as hard as nails" in the coming months. He says no new spending will be approved without corresponding cuts elsewhere in the budget. But the real question is whether a coalition government can agree on absolute spending cuts in the current political climate. An attempt last year to cut subsidies by DM10bn failed, although tinkering with tax allowances helped meet some of the bill.

The real question is how quickly the eastern German economy can pick up, thus reducing the need for transfers to subsidise jobs, pay unemployment benefit, and keep major loss-making employers in business. Although the collapse of the eastern economy may have ended last year, this year's forecast of 10 per cent growth is regarded by economists as more of a technical correction than a real recovery.

If eastern Germany does not achieve self-sustaining growth in the next two years, Mr Waigel will have to keep stepping up transfers – precisely the danger which the other G7 governments fear.

Despite the large deficit, Mr Kohl has promised no cuts in social spending, and no increase in taxes. And now he is facing a furious public sector workforce striking to squeeze more from his empty purse.

It is not just the workers who have failed to understand the true cost of unification. Local authorities in the public sector are proving equally spendthrift, according to Mr Helmut Schlesinger, president of the Bundesbank. He has accused them of pushing up their spending by no less than 9 per cent last year "as if nothing had happened. Yet another adventure-pool, yet another museum, yet another town-twinning partnership in Scotland or Portugal, and yet more official tourism: all this is carrying on regardless."

The truth is that the full cost of unification has still not hit ordinary Germans, and yet they are already up in arms at the expense. The drift of voters to extreme rightwing parties, like the Republicans and the Deutsche Volksunion, is a protest not only at rising immigration, but also at the squeeze on their living standards. It should not be exaggerated (the Republicans have pushed up their support from 2 to 5 per cent in the latest polls), but nor can Chancellor Kohl afford to ignore it.

In his announcement yesterday of his resignation, Mr Genscher declared that the very fact of his voluntary departure was proof of "the good working capacity of our democratic structures". It showed the "understanding of democracy of those who carry responsibility in our highest offices of state".

Two weeks before, a very senior government official expressed a contrary view. He quoted Sir Ralf Dahrendorf, once Germany's commissioner in Brussels, now warden of St Antony's College, Oxford, on the contrast between British and German democracy. British democracy, he said, was strong because it had shown it could survive times of economic depression as well as economic growth. The question still hanging over German democracy, the senior official said, was that it had yet to prove it could survive the bad times as well as the good.

## Joe Rogaly

# An opposition in exile

You can forget about the opposition for a while. It is of more than passing interest to know whether or not Mr John Smith becomes leader of the Labour party, but beyond that we need only look in from time to time. When the party has been restructured it may become credible. Until then British politics will be about what goes on among Conservatives.

This is not to say that oppositions make no difference at all. If during 1990 Labour had not reached the high 40 per cents in the opinion polls (misleading as that may now be seen to have been), the Conservatives would have had no reason to overthrow Mrs Margaret Thatcher. In the last parliament Mr Smith skilfully exploited the obvious disagreements between Mrs Thatcher and her "excellent" chancellor, Mr Nigel Lawson. Labour saw off more than one health secretary. The political career of Mr John Moore was ended; that of Mr William Waldegrave blighted.

In this parliament, however, the advantage to the opposition of a low Tory majority is offset by both Mr John Major's strategy of seeking a Conservative consensus and the disarray in which Labour finds itself. This week's argument about the rules under which a successor to Mr Neil Kinnock is to be elected is about a mere technicality. What Labour has to do is detach itself from the trade union movement, find a reason for existing in a non-socialist world, devise new policies, and perhaps even rename itself. If it does not follow such a path it may have no future at all; if it does it will be so preoccupied with its own restructuring for a good while yet that it will have little energy left with which to mount a vigorous opposition.

Such reflections are not entirely consonant with the election result. Simple arithmetic suggests that the government ought to tread carefully, lest the opposition stomp on its toes. Mr Major's victory on April 9 was so unexpected, and such a signal triumph after a contest fought in mid-depression, that the relative smallness of the Conservatives' parliamentary majority was generally overlooked. They are 21 seats ahead, but in a house of 651 that should not be unassailable. Their advantage could be eroded as a result of by-election losses. Even if that does not happen, the government side is in theory subject to harassment by a united opposition. Tory back-benchers could stage successful rebellions.

**Labour has to detach itself from the trade unions, and perhaps even rename itself**

Yet, as many of us discovered on the morning of April 10, arithmetic can be misleading. Tories can manage quite well on a small majority in the Commons, as Labour must on most of the rare occasions on which it wins. In October 1951 Churchill returned to No 10 Downing Street as the head of a government with an overall majority of just 17. It lasted for 3¼ years, until May 1955, and might have survived for longer had not the great war leader been obliged to retire on grounds of ill-health. Churchill did not try to reverse the welfare state reforms pushed through by Labour in the previous six years, but his administration did begin the dismantling of war-time controls.

In those gentlemanly post-war years MPs were relatively docile. Expecting to return soon, Labour did not make life unduly difficult for the government. In 1970 the then Mr Edward Heath was less fortunate. His victory by 30 seats was just as much of a shock to the opinion pollsters as this year's upset; his government was not, however, given such a comfortable ride as Churchill's had enjoyed 20 years previously. Mr Heath was obliged by the oil price shock to perform his celebrated U-turn on economic management. He was brought down in 1974 by the coal miners' strike. The National Union of Mineworkers behaved at that time as a part of the opposition, the extension by other means of Labour's parliamentary tactics.

Everything is different now. In 1951 there were nine Liberal and other-party MPs; in 1970 there were only 12. Since then the "third force" of representatives of centre parties and Celtic nationalists has grown, to 44 in the current parliament. For Labour to catch the Tories in a big set-piece vote it must find an issue upon which all these parties can agree, and it must win the support in the lobbies of about a dozen Tory rebels.

Something of the sort might have happened, had there been a majority of 21 and not 100, during the debates on the poll tax. The celebrated amendment moved by Mr Michael Mates, which would have provided for banding of the Community Charge according to income, might have won through. That was in the days of Mrs Thatcher and government by ideology. Such a rebellion is less likely while Mr Major is prime minister, for he has no ideology. He never forgets the lessons he learned in the Whips office. It would be uncharacteristic of him to put an issue to the house if he was uncertain of winning the vote. He will try to square the parliamentary party first, then come to the Commons. So that is where there is business to be done: among Conservatives.

A range of videophones is being launched on to business and household markets. Michiyo Nakamoto examines their prospects

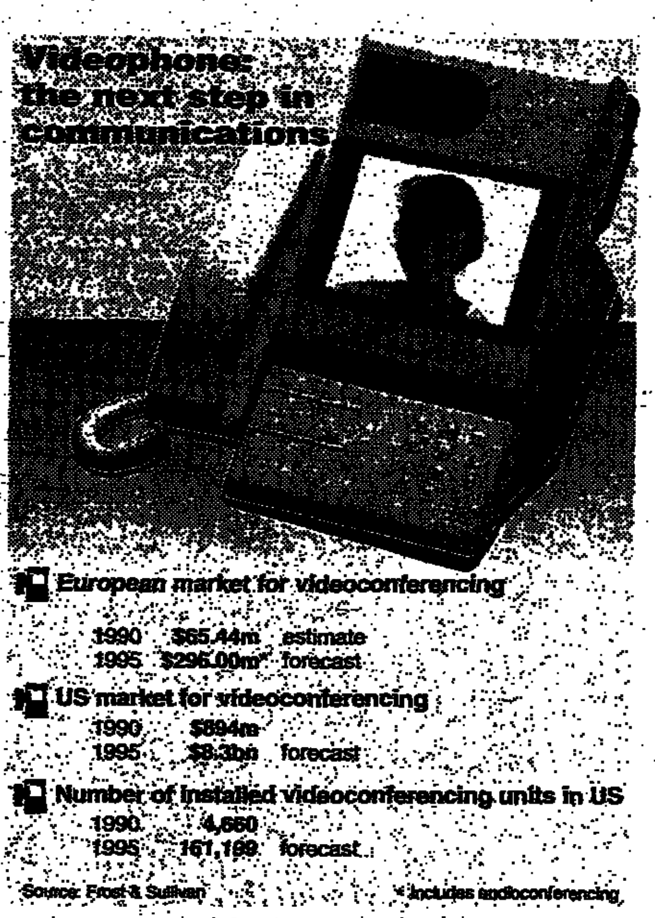
# Phones with a view to profit from vision

When the phone rings do you tend to be slouched in your seat, or leaning back with your feet on the desk? Are you a round-the-clock businessman who regularly keeps in touch with contacts while soaking in the bathtub?

If so, you may want to rethink your telecommunications habits. The next phone you buy could be a videophone, capable of sending colour pictures of you, bath bubbles and all, down the wire.

In the US, Japan, Britain, France and other leading industrialised countries, companies are introducing a range of videophones to offices and homes, from high-priced machines connected to personal computers to affordable models for home use.

AT&T, the American telecommunications giant, is launching a $1,500 (£850) videophone for homes next month in the US. Matra, the French maker of telephone sets, has been selling videophones in France since last autumn, while Hitachi recently launched several models in Japan. In the UK, GEC-Marconi is licensing its technology to BT and Amstrad, which plan to bring out a range of videophones later this year.




BT, in collaboration with IBM, the US computer group, has developed an electronic card to enable IBM and IBM-compatible personal computers to be turned into videophones. The cards, which are inserted into the computers, will be launched early next year.

"A whole new era of visual communications is here," says Mr Mike Zeaman, of AT&T Consumer Products in the US. He claims the videophone will open up numerous possibilities for new uses of the phone at home and in the office. Deaf people, for example, will be able to communicate by telephone for the first time.

The practical benefits to businesses are enormous, says Mr Tony Fish, marketing engineer at GEC-Marconi Electronics. He believes the videophone will help companies save on travelling costs and time by making it easier to take decisions over the phone. "There is a lot of research evidence that shows people will not make decisions over the phone," he says. They prefer to have face-to-face contact.

It will also be far easier to communicate information that requires visual description – graphics in a brochure, new company logos – over the phone.

Although there are obvious benefits to visual communication, the development of videophones was originally held back by the technology. A number of phones capable of sending images has appeared on and off the market since AT&T introduced its first Picturephone in 1964, but the problems of transmitting visual information down a phone line meant that early Picturephones could send only still, black and white pictures.

However, companies including AT&T in the US and GEC-Marconi in the UK, which have been working on the technology for many years, are now able to send between two and 10 colour picture frames a second down a regular phone line to produce moving colour images at the other end.

**Few people will relish the thought of a face-to-face confrontation with telemarketers**

The result is colour video in slow motion, reminiscent of the TV broadcasts of the first astronauts on the moon. But manufacturers believe the image quality will be acceptable to most consumers if the price is kept reasonably low. BT plans to sell its residential unit, made by GEC-Marconi, for £399.

Another breakthrough is the recent adoption of an international standard for digital videophones. This allows digital videophones of different makes to communicate. The absence of an internationally agreed standard meant that a BT videophone, for example, could not talk to an AT&T model.

Manufacturers expect the adoption of the standard to spur demand among businesses, just as the agreement of an international standard for faxes in 1984 triggered widespread demand among corporations for fax machines.

Another sign that the industrialised world is ready for videotelephones, say manufacturers, is the growing use in corporations of videoconferencing – an expensive and larger scale system of visual communications.

"Our experience with videoconferencing shows us that people really take to it," says Mr Jim Barron, public relations manager for visual services at BT. People have become accustomed to being videoed so they are less shy in front of the camera and more aware of its benefits. Last year, says Mr Barron, BT doubled its turnover from videoconferencing sales.

Since the videophone enables groups of people to talk to each other, it is also a much more flexible communication tool than the conventional telephone.

Yet, in spite of the advantages, Mr Goldman expects the market for videophones to grow slowly over the next few years, because it will take time to build up an installed base of users.

For home use, one big obstacle is the lack of compatibility of different manufacturers' products. Unlike digital videophones, residential machines are based on an analogue system, for which no international standard has been agreed. Analogue videophones made by different manufacturers, therefore, cannot speak to each other.

So far there are no moves to establish such a standard for analogue phones. Manufacturers, such as GEC-Marconi, are hoping that dominance in the marketplace will establish their own system as the *de facto* standard.

Image quality will also deter some people. Although the latest videophones can send and receive moving colour pictures, only a limited amount of information can be transmitted through regular phone lines, so the picture quality is far below that of television.

But the greatest deterrent could still be consumer resistance. For all the people who are thrilled by the idea of seeing friends and relatives on the phone, there will be many who dread going on show each time the phone rings.

Few people will relish the thought of a face-to-face confrontation with telemarketers. And many will be concerned that it will not be as easy to tell a casual lie – about not coming in to work, for example – over the phone.

To overcome the problem of privacy, BT has included a special button, which the receiver of a call has to press to open the camera lens. So if the phone rings while you are taking a bath, you can answer without fear of exposure.

Whether or not such a precaution is enough to placate the sceptics, the manufacturers are convinced that the market is set to take off.

In Japan, Hitachi has sold more than 100 units at a price of Y950,000 ($7,140) each since announcing its videophone early last year. Frost & Sullivan, a market research company, forecasts that the worldwide market for visual communications will be in the region of $3bn a year by 1995.

"It is often pointed out that 60 per cent of a message is communicated through non-verbal cues," says BT's Mr Barron. "That is what makes us think videotelephony is going to be very, very big."

# LETTERS TO THE EDITOR

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## Settle for regular warnings

*From Mr Desmond FitzPatrick.*

Sir, Joe Rogaly's comments on Mrs Thatcher's Newsweek article ("Free to speak their minds", April 24) are characteristically balanced. Few enough have acknowledged the right of the undefeated contestant of three general elections to comment widely and perhaps uncomfortably on matters which she still regards as of concern.

She will, anyway! Here is how she must see it: in 1979, the country was on its face in the gutter, partly a comic spectacle but principally a dire warning to other nations. She changed all that. Some people have not enjoyed the change, which does not greatly matter since the changes are for good. But, inevitably, *she* will for ever fear the undoing of her work in some vital respect.

This simple view which I dare attribute to her has enough of the truth in it to command a good measure of respect. So we may as well settle to sharp, regular warnings against what she will perceive as backsliding. We enjoy the benefit of her revolution and must be content to live with the tyranny of her memory.

Desmond FitzPatrick,
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*Field Way,*
*Burnt Common Lane,*
*Nr Ripley, Surrey GU23 6HJ*

## Diversity benefits electricity supply, despite surplus

*From Mr David Porter.*

Sir, Juliet Sychrava's report, "Electricity surplus of 60 per cent is predicted" (April 24), draws attention to the likely excess of capacity in electricity generation. It also points out that virtually all of the new capacity is gas-fired.

The excess capacity is indeed high by the standards of the former state-controlled industry, but electricity users should welcome the willingness of new privately owned companies to compete with the ex-CEGB generators.

Britain should enjoy the benefit of diversity in power generation and that includes a role for coal, but the electricity industry cannot sustain itself by pricing its product on the output of fully depreciated coal-fired power stations. Gas-fired generation, using "combined cycle" technology, is being chosen for sound commercial reasons. It is also cleaner and no doubt eventually it will get credit for that.

One of our leading members bought and converted an ex-CEGB power station. With manning at only one-third of the previous level, it now achieves much higher fuel efficiency and double the previous power output – with a massive reduction in emissions. In most industries, that would be considered a good investment.

David Porter,
*chief executive,*
*Association of Independent Electricity Producers,*
*Herodsfoot,*
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## Value of a tenant in US

*From Mr David B Simpson.*

Sir, Concerning your editorial ("Tenants squeezed", April 6), your criticism of the continuing liability of tenants entering into leases following assignment overlooks an essential point.

At least in the US, financing for real estate projects is based not on the value of the underlying real estate, however measured, but primarily, and sometimes entirely, on the creditworthiness of the tenant and the perception of the lease as a type of bond.

If tenants were to be able to shed their liability by subsequent assignment, the lenders would not be receiving that for which they had bargained, and they would withdraw from high-credit net lease financing. At a minimum, any statutory scheme designed to release an original tenant's continuing contingent liability, notwithstanding the terms of the lease, should only take effect following the retirement of any financing predicted on the original tenant's credit.

David B Simpson,
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*US*

## Political system

*From Mr Karel Lannoo.*

Sir, I agree with Edward Mortimer ("European puzzle still unsolved", April 16) where he writes that it is very difficult fo generalise about the election results in west European countries. I think, however, that there is one exception, ie the rejection by an important part of the voters of the traditional political system, which they see as dominated by corrupt, incompetent and nepotistic politicians. This attitude benefits the extreme right and new parties and lies at the basis of their success in Belgium, France, Italy and possibly also in Germany. It is up to western politicians to come up with credible proposals for the improvement of our political system.

Karel Lannoo,
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*1050 Brussels, Belgium*

## Unions argue that lack of funds seriously restricts EOC

*From Sue Bond, Julie Cornwall, Roger McKeown, Cath Pickering and Dorothy Robson.*

Sir, As the local trade union representatives at the Equal Opportunities Commission, we were shocked to read in Diane Summers's article ("EOC is criticised over value for money", April 22) that the recent review of the EOC would find that it failed to provide value for money. We are not aware of any evidence to suggest that the report being prepared will include such allegations, but there is plenty to suggest that the commission is constantly achieving the impossible on a shoestring.

The EOC has brought pioneering cases under the equality legislation, carried out substantive investigations and produced authoritative research and reports. By its very nature, the work is labour-intensive and the expertise of the staff is its most important resource. These criticisms can only come from an attempt to discredit the report and the EOC by implying that money spent on equal opportunities is money wasted.

The *real* issue is the pitiful amount of money provided by the government in the first place. The EOC's grant-in-aid has been drastically cut in real terms for years. Consequently, our abilities to fulfil the statutory duties outlined in the Sex Discrimination Act and Equal Pay Act are now seriously restricted. Staff are already stretched to give legal advice on a wide range of issues to the thousands of people, mostly women, who have suffered as a result of discrimination, and who cannot afford a solicitor and usually have nowhere else to go for help.

What we clearly need are *more* staff and *more* resources, and it is the government that is to blame for undermining yet another vital public service. Our respective unions have long campaigned for a properly funded EOC, and our members at the commission intend to continue fighting to defend our jobs and conditions, the service we provide to the public, and also the importance of equal opportunities in a far from equal society.

Sue Bond,
Julie Cornwall,
Roger McKeown,
Cath Pickering,
Dorothy Robson,
*trade union side officers,*
*NUCPS and CPSA,*
*Overseas House,*
*Quay Street,*
*Manchester M3 3HN*





# OBSERVER

## Genscher's last laugh

■ It has been a tempestuous few months for Irmgard Schwaetzer, Germany's next foreign minister in succession to her erstwhile mentor, Hans-Dietrich Genscher.

In that time she changed her name (from Adam-Schwaetzer), remarried (to TV presenter Udo Philipp), celebrated her 50th birthday (on 5 April), and now becomes the first woman in the history of the Federal Republic to hold such an elevated ministerial office.

A pharmacist by training, and an economic free marketeer by conviction, she has inevitably been called the "German Maggie Thatcher", although she is condemned by the size of her party never to have a real crack at the chancellorship. Nor did she quite make it to the leadership of her party, and now has apparently agreed not to try - in exchange for the foreign ministry.

She hails from Münster in Westfalia - like her great rival in the new generation of Free Democrats, Jürgen Möllemann, the economics minister, who is putting a brave face on not getting the job. Always a protegée of Genscher's, she was for a long time his state secretary for European affairs, well-regarded in Brussels for her capacity to negotiate through the night after her boss had flown off to the next round of engagements.

As foreign minister, she must tread softly for some time to come - coping both with the indelible Genscher stamp left on the foreign ministry, not to mention a Chancellor increasingly calling the foreign policy shots himself.

The real question is whether she can hang on to the post after the 1994 elections if the coalition wins again; Volker Rühe, ex-secretary-general of the Christian Democrats, just appointed as defence minister, has always wanted her job.

Indeed, the fact that Genscher has chosen to quit now, when Rühe is otherwise engaged, could be seen as a neat revenge by the wily old campaigner.

## Financial pilot

■ It is hard to quibble with the new management team being put in place at British Aerospace. Richard Lapthorne, the new finance director, is not as well known as his mentor – Courtaulds' Sir Christopher Hogg – but he is well regarded. Not only is he well liked in the City, but he knows all about demerging businesses which could come in handy if BAe ever decides to unload its excess baggage.

That said, Lapthorne suffers the same sort of problem as does John Cahill, BAe's new chairman. Both come from successful businesses and it is hard to know how much of their apparent success was due to them, and how much to the supporting actors.

Meanwhile, the front-runner for that other BAe hot-seat – the task of remaking BAe's public image – is Hugh Colver, currently chief of public relations at BAe's main customer, the Ministry of Defence. Apparently he told senior colleagues of his plans to leave the MoD on election day "so that there would be no misunderstanding" about his motives for going.

## Concrete bunker

■ Ex-communists in St Petersburg, still nursing their wounds over the decision to rename Leningrad, will see as another provocation the decision to allow Grand Duke Vladimir Kirillovich, the pretender to the Russian throne abolished in 1917, to be buried in Peter and Paul fortress alongside his ancestors. The request, made by Leoda, the widow of Vladimir, an emigré who spoke poor Russian and set foot in Russia for the first time last year, was granted by vice-mayor Vyacheslav Scherbkov yesterday.

"I must admit, I've taken rather well to infiltration"

Ordinary people are likely to see this as somewhat strange since the duke, who died in Miami last week, was part of an extinct dynasty. They will also be amazed at the amount of rubble which the city authorities will have to remove from the fortress; the Bolsheviks had poured concrete over what was once a special burial place for the grand dukes, but separate from the central cathedral where Peter the Great and other tsars are buried.

## Mercury exit

■ Is the top management team of Mercury Asset Management, London's biggest and most successful quoted fund manager, starting to disintegrate as the younger generation jostle for power?

Generally, there is nothing unusual in the fund management industry about executives coming and going. Indeed it is a healthy sign. But what is amazing about Mercury is that it has grown into such a huge organisation – it has over £40bn under management and a massive share of the pension fund business – without any loss of its top personnel. Mercury is well beyond a size where economies of scale make sense any longer.

However, there are signs of change. Just before Christmas James Dawnay, the unit trust boss, quit to join Martin Currie, and now Richard Bernays, one of Mercury's vice chairmen, is off to try to revitalise Hill Samuel's big, but sleepy, fund management business.

Mercury is maintaining a stiff upper lip. But chairman Peter Stormonth Darling, who has dominated the group for more than a decade, is getting to an age when he should be thinking of retirement. With Bernays out of the way, the two front-runners are David Price, an admin wizard, and Stephen Zimmerman, the investment guru. David Price would make a natural successor but insiders say that the choice is too close to call.

## Crossed line

■ Reader Ed Butcher telephoned a laggardly debtor and demanded to know when he'd be paid.

"Hold on a moment, please," said the man on the other end before adding, to the sound of taps on a computer keyboard, "have you heard the latest one – what's eight inches long and hard, but at the crucial moment goes dead in your hand?"

Then he hung up.

FINANCIAL TIMES
Tuesday April 28 1992



Call made for fiscal stimulus to build a prosperous global economy

# US concern on world growth

By Peter Norman, Economics Correspondent, in Washington

*THREE of the world's leading* industrialised countries yesterday held out the prospect of improved growth in 1992.

Mr Nicholas Brady, the US Treasury Secretary, said: "We are seeing clear signs of economic *recovery now in the US.*"

Mr Norman Lamont, the UK chancellor of the exchequer, predicted that growth in the UK "should become fully established" *this* year.

In talks with fellow ministers from the Group of Seven leading industrialised countries, Mr Theo Waigel, the German finance minister, said gross domestic product in western Germany increased by 1 *per cent in the first quarter of* this year compared with the final three months of 1991.

He forecast that growth in Germany as a whole would be "a good 2 per cent" this year.

Mr Lamont said he expected the *end of pre-election* uncertainty and improved world economic conditions would unleash consumer demand in Britain, *helping recovery.*

Mr Brady, however, was clearly concerned that growth prospects were less favourable in the US's industrialised trading partners. "On an aggregate basis, the major industrial countries are *experiencing their third straight* year of inadequate growth," he said.

Mr Brady, looking at developments in eastern Europe and the *former Soviet Union, said sub*standard growth "seriously jeopardises what is probably a unique opportunity in our lifetimes to build an integrated, prosperous global market economy."

He stressed that a primary *objective of the US and the Euro*pean members of the G7 was to secure a commitment to faster growth through fiscal stimulus and easier monetary policy in Japan.

But these calls were rebuffed *by Mr Tsutomu Hata, the finance* minister of Japan, and Mr Yasushi Mieno, *the bank of* Japan's hardline governor.

Mr Hata warned: "We should keep in mind that inadvertent reliance on short-term stimulus measures could jeopardise the sustainability of economic growth through *putting upward* pressure on inflation and interest rates, increasing fiscal deficits and inflexibility of fiscal policy."

Mr Michel Sapins, the French finance minister, said the weakness of the yen was "undesir*able" but Japan did not* have much leeway to cut interest rates much further.

The industrialised countries at this year's spring meetings of the International Monetary Fund and the World Bank have focused on the *need* for stricter fiscal policies. This is seen as the way of securing lower interest rates and stronger world growth.

In his first press conference since the British election earlier this month, Mr Lamont warned that a "tight public expenditure round" would be necessary this autumn and *"a very wary eye"* kept on the medium term fiscal position.

Mr Lamont said a firm line on public spending would be needed as the UK recession had lasted longer than expected, swelling the UK's public sector deficit to a forecast £28bn for this financial year.

The chancellor, however, told fellow ministers in yesterday's meeting of the IMF's policy-making Interim Committee that Britain's underlying fiscal position was strong. The lurch into *deficit was "primarily due to the* effects of the automatic stabilisers", particularly on the revenue side.

It emerged yesterday that Mr Lamont had led the questioning of Germany's high fiscal deficits in Sunday's meeting of finance ministers from the G7.

IMF more pragmatic, Page 6
Editorial comment, Page 14

Irmgard Schwaetzer, successor to Hans-Dietrich Genscher as German foreign minister

## Genscher decision to quit stuns Bonn

Continued from Page 1

history book of our country and our people."

In a television interview last night, Mr Genscher confirmed he was not a candidate to succeed Mr Richard Weizsäcker as German president. He also made clear that he was not interested in succeeding Mr Jacques Delors as European Commission president.

In his letter of resignation - requesting *to leave office on May* 17, the 18th anniversary of his appointment as *foreign minister* – Mr Genscher gave no clear indication of the reasons for his departure. He said only that the step was "right and necessary."

Aged 65, it is known that he has *suffered from heart problems* in recent years, including at least *one serious* heart attack, although his wife Barbara said health was not a factor in his decision to quit. He has maintained an extraordinary and punishing schedule as minister, often attending two or three major *functions in different* countries on a single day.

*Since unification, however,* Mr Genscher has appeared to have less influence on German government policy, with Mr Kohl taking the lead in relations both with other EC member states, and with the US.

In his explanation to colleagues in the FDP executive, Mr Genscher said he wished to devote more time to the course of German unification. Coming originally from the east German town of Halle - he fled to the west in 1952 - he has always *sought to promote the needs of* the former East Germany in the west.

## Walesa may become a French-style president

By Christopher Bobinski in Warsaw

POLISH president Lech Walesa yesterday announced his intention to become a French-style executive president and further undermined *his* prime *minister*, Mr Jan Olszewski, by naming two other candidates as being better suited to haul the country out of its deepening political crisis.

"Our present system is not functioning" he told a press conference, adding that the type of presidency he envisaged would improve the efficiency of government.

On Sunday Mr Walesa had signalled his desire to broaden his powers and drop Mr Olszewski's centre-right government in favour of a cabinet of his own choosing.

Yesterday he named Mr Tadeusz Mazowiecki, leader of *Poland's largest party and prime* minister of the first post-communist government, as the best man to get the country's fractured political parties working together.

But he also singled out Mr Andrzej Olechowski, the finance minister, as "the best qualified *person if we want quick and* resolute reform."

Despite his public endorsement for the two men he stopped short of asking Mr Olszewski to resign his premiership but added: "I don't exclude this possibility, even though there is no such necessity today."

*Mr Olechowski,* a *former senior* trade and central bank official, is already a key member of Mr Olszewski's government. He recently secured cabinet support for cuts in public spending needed to keep the budget deficit *below* 5 *per cent of GDP.*

But the cuts, which were needed to gain International Monetary Fund support for Poland's reforms, still have to be approved by parliament. On Friday parliament delayed for two weeks a crucial vote to nullify a court ruling which called on the *government to reinstate* welfare and pension cuts made last year.

Failure to achieve the required three-quarters majority to overturn the court ruling would mean the doubling of the proposed budget deficit and risk rekindling *hyperinflation. Mr Olechowski* has made clear that he would resign if this happened, which in turn would almost certainly cause the collapse of the government.

The difficulty, given a parlia*ment consisting of 29 political* parties, of forming a solidly based government capable of supporting tough economic policies has underlined the need for constitutional reform, especially in light of the ambiguous role played by Mr Walesa.

His drive for full control over the executive comes amid a dispute over control of the armed forces.

Poland survey, Section III

## Rival mujahideen fight on in Kabul despite ceasefire

By David Housego in Kabul and Farhan Bokhari at Torkham, Afghan-Pakistani border

RIVAL guerrilla groups in Kabul, the Afghan capital, ignored a ceasefire yesterday as they bombarded *each other across the city.*

The forces of Ahmed Shah Masood, commander of the northern based Jamiat-i-Islam and now minister of defence, strengthened their grip on the city but met fierce resistance from the Hezb-i-Islam led by Mr Gulbuddin Hekmatyar. The Hezb-i-Islam was reported to be bringing up Pushtun reinforcements from the south – reflecting growing ethnic divisions behind the conflict.

As the fighting continued for a third day – uninfluenced by the ceasefire which the Pakistani government said had been signed in Peshawar – a convoy including Mr Sibghatullah Mojaddedi, Afghanistan's president-elect, crossed the Khyber Pass border from Pakistan *en route* to Kabul, where it was due to arrive last night.

It was not clear what role there would be for the new interim *government of* Mr Mojaddedi, a moderate guerrilla leader who was accompanied by other members of a 50-member government commission set up under an agreement reached by the mujahideen in Peshawar.

At the border *an* emotionally charged crowd of war-hardened mujahideen wielding Kalashnikov rifles repeatedly shouted "Allah akbar" (God is great) as Mr Mojaddedi, a bearded academic, read a prayer of thanks for *success* in their *struggle* to return to Afghanistan.

In Kabul hundreds of casualties were taken to hospitals and many families evacuated from the southern *suburb of Mekroyan* which came under heavy bombardment. The situation remained confused, however, as Hezb guerrillas, driven out from one area, regrouped in another.

Few shops were open in the capital's *largely deserted streets.* But there was widespread disgust that 13 years of civil war should end in further conflict. "What will happen to this country now. We are finished," said a taxi driver.

Near the Charaye Sadama in the centre of the city some of the first prisoners of the conflict were being herded into what Abdur Rahman, a Jamiat commander, *called the* "mujahideen" prison. About 100 Hezb guerrillas captured on a ridge were searched and pushed towards a barracks converted into a prison.

"We surrounded them and captured them," said Adbur Rahman *as nearby artillery continued to* shell Hezb positions. The new prisoners looked as frightened and uncertain as they might have been if taken by the former communist regime. One was found to have a revolver concealed behind *his back. He was roughly slapped* around the face by an Uzbek militiaman. "They will be put on trial," said Abdur Rahman.

Mr Masood and his commanders had *still* to decide yesterday whether they would risk the heavy bloodshed that could be caused by a frontal attack on the Ministry of Interior.

Mr Masood's overall strategy seems to be to hit the Hezb-i-Islam hard while leaving the door open to the negotiations.

THE LEX COLUMN

## Deflating German hopes

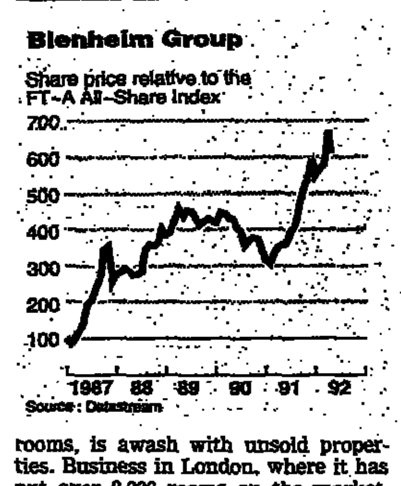
*It is tempting to conclude after* yesterday that the German government's grip on the economy is faltering. Two senior ministers resigned; the Kohl administration came under *heavy attack from other industrial* countries for its lax fiscal policy and excessive interest rates; the country was hit by a wave of strikes from public sector workers. That would normally be enough to inject a note of nervousness into financial markets, *but – after an initial wobble – the* DAX finished only marginally lower and the 10-year government bond future actually rose.

Granted, the resignation of Mr Hans-Dietrich Genscher after 18 years as foreign minister has little relevance for the markets. Nor *should* the strikes have any relevance, as long as they are over quickly: indeed, they reveal a government so far determined to avoid fanning the inflationary fire through high wage settlements.

Yet the markets may be drawing too *much solace from optimistic* comments on inflation made by both Chancellor Kohl and Dr Otmar Issing of the Bundesbank. It will take more than that to open the door to lower interest rates.

The Bundesbank council would be *reluctant to ease while money supply* is growing at nearly 10 per cent, especially since the economy still has some life left. Whatever the daily news distractions, the basic danger is still the same – that the present policy mix will lead to prolonged stagflation. That *would be positive neither for German* financial markets nor for those of its European partners. A little more action and fewer promises on the budget deficit would be more convincing.

FT-SE Index: 2658.2 (+15.2)





### Rank

It would be ungracious not to give *Rank some* credit for *its* decision to sell its UK hotels. The company's leisure interests were *never going to gen*erate enough cash to reduce gearing much below its present 64 per cent. The hotel sales may allow it to lop as much as £300m off a net debt which now exceeds £1bn, creating leeway to develop the mass market activities *that Rank* understands best. That said, the market is probably right to be *suspicious about how soon the sales* will be completed. Though Rank's price rose by nearly 2 per cent yesterday, volume was a mere 708,000 shares.

The provincial hotel market, into which Rank is trying to sell 1,146 rooms, is awash with unsold properties. Business in London, where it has put over 2,000 rooms on the market, has still not recovered to 1990 levels. Rank *may thus have to work* hard to extract satisfactory prices. Given that the hotels collectively made little more than £15m last year, each disposal should enhance earnings. The mistake would be to expect much effect before next year.

*Arguably, too, Rank is selling at the* wrong point in the cycle. Its hotels offer recovery scope in a portfolio that has otherwise proved relatively recession-proof. One cannot assume that any recovery in big-ticket consumer spending prompted by the Tory election victory *will* do much for bingo or Butlin's. Maybe growth will come *from the US, where Universal Studios* could be contributing handsomely to earnings later in the decade. That, however, remains a rather distant prospect.

### AB Foods

AB Foods' interim results were very *much in character. The dour struggle* of the milling and baking business contrasts with the vigorous energy of British Sugar. The sharp decline in the return from the remnants of ABF's cash mountain was a reminder that it correctly timed that acquisition. That said, the chairman's downbeat description of the outlook left the market *rightly unimpressed and the shares* languishing on a prospective multiple of 9.

Given that ABF stands somewhere between Ranks Hovis McDougall on the one hand and Tate & Lyle on the other, it is instructive to look at how the three have performed relative to the market in recent years. The cyclical downturn in milling and baking began in 1988-89, so one can *legitimately* go back a little further than *that.* Over the last five years, whereas ABF has almost exactly matched the market, RHM has fallen by 41 per cent in relative terms, while Tate & Lyle has outperformed by nearly 80 per cent.

The only ground for optimism is *that* ABF is becoming more like Tate. British Sugar is on course to make around £140m out of a group pre-tax profit of £325m this year. Perhaps more importantly, it is the focus of ABF's strategic thinking; *talk of an* investment in C&H Sugar in *the* US, if realised, should mean another £100m or so of cash will be spent by the end of the summer. The rest of ABF is correspondingly uninspiring, but at least investors know what they are buying.

### Blenheim Group

After yesterday's 7 per cent jump in Blenheim Group shares, the exhibition group's market value has risen almost a hundred-fold since its £5.8m flotation in late 1986. Over the same period, the *shares have outperformed the market* by a rather less startling five times.

Given that Blenheim has been conspicuously successful during the recession – interim pre-tax profits rose by more than half – it seems churlish to ask whether it is in danger of running *out of steam. But it is not obviously* geared to economic recovery, so the *question is perhaps more relevant* than at past moments in its history.

The group has been strengthening management of what it rightly describes as its brands – the big annual trade fairs, such as Batimat in France, which have proved their reliability in a downturn. *It* claims there is demand for extra space which *should feed straight through to profits.* In addition, its strategy is to increase margins by cutting spending on promotions and to export successful exhibitions to new markets. There looks to be plenty of room for growth.

Thus, the answer is that although its momentum probably *will* slow, Blenheim is unlikely to grind to a halt. *Other media companies, particularly* pure publishers, stand to gain more immediately from recovery, so the comparison may test the rating; Blenheim's shares are on a current year multiple of more than 20, which looks fully valued for now.

### World Weather

| City | | °C | °F |
|---|---|---|---|
| Ajaccio | S | 17 | 63 |
| Algiers | F | 21 | 70 |
| Amsterdam | F | 13 | 55 |
| Athens | S | 22 | 72 |
| Bahrain | S | 26 | 79 |
| Bangkok | F | 38 | 100 |
| Barcelona | S | 18 | 64 |
| Beijing | S | 25 | 77 |
| Beirut | S | 20 | 68 |
| Belfast | F | 11 | 52 |
| Belgrade | S | 27 | 81 |
| Berlin | F | 16 | 61 |
| Biarritz | S | 18 | 64 |
| Bombay | S | 32 | 90 |
| Bordeaux | C | 16 | 61 |
| Boulogne | F | 13 | 55 |
| Brussels | F | 12 | 54 |
| Budapest | S | 27 | 81 |
| Buenos Aires | F | 19 | 66 |
| Cairo | S | 26 | 79 |
| Cape Town | R | 13 | 55 |
| Caracas | F | 30 | 86 |
| Casablanca | S | 20 | 68 |
| Chicago | | – | – |
| Cologne | F | 14 | 57 |
| Copenhagen | F | 13 | 55 |
| Corfu | S | 21 | 70 |
| Dallas | | – | – |
| Dublin | F | 10 | 50 |
| Dubrovnik | | – | – |
| Edinburgh | F | 12 | 54 |
| Faro | S | 23 | 73 |
| Florence | S | 23 | 73 |
| Frankfurt | F | 13 | 55 |
| Geneva | S | 19 | 66 |
| Gibraltar | Fg | 18 | 64 |
| Glasgow | C | 10 | 50 |
| Helsinki | S | 9 | 48 |
| Hong Kong | F | 28 | 82 |
| Innsbruck | F | 18 | 64 |
| Inverness | R | 9 | 48 |
| Islamabad | R | 32 | 90 |
| Istanbul | S | 17 | 63 |
| Jakarta | R | 32 | 90 |
| Johannesburg | S | 25 | 77 |
| Lisbon | S | 21 | 70 |
| London | R | 10 | 50 |
| Los Angeles † | S | 17 | 63 |
| Luxembourg | C | 12 | 54 |
| Madeira | C | 19 | 66 |
| Madrid | S | 26 | 79 |
| Majorca | S | 21 | 70 |
| Malaga | S | 23 | 73 |
| Malta | S | 23 | 73 |
| Manila | F | 37 | 99 |
| Melbourne | F | 17 | 63 |
| Mexico City | C | 24 | 75 |
| Miami † | S | 16 | 61 |
| Milan | S | 22 | 72 |
| Montreal † | S | 5 | 41 |
| Moscow | C | 3 | 37 |
| Munich | F | 19 | 66 |
| Nairobi | T | 21 | 70 |
| Naples | F | 21 | 70 |
| Nassau | F | 28 | 82 |
| New Delhi | | – | – |
| New York † | C | 10 | 50 |
| Nice | S | 17 | 63 |
| Nicosia | S | 21 | 70 |
| Oporto | S | 18 | 64 |
| Oslo | C | 8 | 46 |
| Paris | F | 16 | 61 |
| Prague | R | 11 | 52 |
| Reykjavik | S | 3 | 37 |
| Rhodes | S | 19 | 66 |
| Rio d'Janeiro | | – | – |
| Rome | S | 19 | 66 |
| Salzburg | F | 17 | 63 |
| S'Francisco † | S | 12 | 54 |
| Seoul | S | 21 | 70 |
| Singapore | F | 31 | 88 |
| Stockholm | R | 6 | 43 |
| Strasbourg | R | 11 | 52 |
| Sydney | C | 19 | 66 |
| Taipei | C | 26 | 79 |
| Tangier | S | 21 | 70 |
| Tel Aviv | F | 22 | 72 |
| Tenerife | S | 21 | 70 |
| Tokyo | S | 23 | 73 |
| Toronto † | F | 6 | 43 |
| Tunis | F | 24 | 75 |
| Valencia | S | 19 | 66 |
| Venice | S | 19 | 66 |
| Vienna | F | 21 | 70 |
| Warsaw | C | 15 | 59 |
| Washington † | S | 9 | 48 |
| Zurich | F | 19 | 66 |

Temperatures at midday yesterday
† Noon GMT temperatures
C - Cloudy Dr - Drizzle
F - Fair Fg - Fog H - Hail
R - Rain S - Sunny
Sl - Sleet Sn - Snow
T - Thunder

FINANCIAL TIMES
# COMPANIES & MARKETS
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Tuesday April 28 1992



## INSIDE

### ICI loses cancer drug patent battle in US

Imperial Chemical Industries, the UK chemical group, has lost a battle to protect the US patent on its best-selling cancer drug, Nolvadex. The patent has been challenged by Barr Laboratories, a New York-based generic pharmaceuticals manufacturer which expects to market a generic product within a year. Analysts believe about half Nolvadex's annual £248m ($439m) sales are in the US. Page 25

### More tough times for farmers


Farmers' incomes in the UK fell 6 per cent last year. When the value of their own and their families' labour was taken into account, their incomes fell 14 per cent compared with the year before. Page 27

### Stronger links for Scottish bank

The Bank of Scotland is strengthening its position in the New Zealand retail banking market by buying a controlling interest in two banks, Countrywide and United, which are to merge. The Scottish bank, which owns 40 per cent of Countrywide, is to increase its stake to 60 per cent of the combined operation. Page 26

### Putting glitter on the sparklers

Julian Ogilvie Thompson, chairman of De Beers, is likely to be cautious when he makes his forecast of the world's diamond market today. Diamonds thrive on euphoria and confidence but with weak markets in the US and Japan, it will be difficult to paint an accurate, and still optimistic, picture of sales. Page 21

### Chinese promise lifts Hong Kong

Hong Kong's stock market outperformed all other world markets last week with a 4.5 per cent rise to an all-time high. Strong international buying following a positive statement from Li Peng, the Chinese prime minister, that economic reforms should be speeded up, put Hong Kong well ahead of the 0.6 per cent gain in local currency terms registered by the FT-A world index. Back Page

### Market Statistics



### Companies in this Issue



### Chief price changes yesterday

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **FRANKFURT (DM)** | | | | **PARIS (FFr)** | | | |
| **Rises** | | | | **Rises** | | | |
| Varta | 340 | + | 9 | Eurocom | 623 | + | 22 |
| **Falls** | | | | Intertechnique | 820 | + | 30 |
| Asko Prf | 673 | − | 7 | **Falls** | | | |
| Bilfing Berg | 1020 | − | 20 | Audi Entrepr | 833 | − | 39 |
| Hochtief | 1285 | − | 11 | Cetelem | 806 | − | 20 |
| Kaufhof | 494.2 | − | 10.8 | Essilor | 454 | − | 10 |
| Philips Kommun | 540 | − | 15 | Vallourec | 223 | − | 13 |
| **NEW YORK ($)** | | | | **TOKYO (Yen)** | | | |
| **Rises** | | | | **Rises** | | | |
| Basic Amer Med | 18½ | + | 2⅜ | Asahi Denka | 724 | + | 59 |
| US Healthcare | 47¼ | + | 2½ | Chino | 520 | + | 40 |
| **Falls** | | | | Tachikawa | 2300 | + | 250 |
| Compaq | 23⅝ | − | 3½ | **Falls** | | | |
| Digital | 44½ | − | 1¾ | Konami | 2510 | − | 290 |
| Medical Care | 57¾ | − | 1½ | Mextec | 1500 | − | 300 |
| Nike | 61½ | − | 2¾ | Tokyu Dept | 535 | − | 53 |
| **LONDON (Pence)** | | | | | | | |
| **Rises** | | | | AMC | 59 | + | 21 |
| AssocNursing | 127 | + | 7 | Resort Hotels | 87 | + | 7 |
| Blenheim | 508 | + | 33 | S & U Stores | 171 | + | 7 |
| Brixton Est | 176 | + | 9 | SEET | 70 | + | 15 |
| Cap & Counties | 221 | + | 26 | Sketchley | 135 | + | 14 |
| Clinton Cards | 85 | + | 9 | Smith (J) Ests | 80 | + | 7 |
| Cosalt | 184 | + | 12 | Stanhope | 29 | + | 5 |
| Eurocopy | 38 | + | 5½ | Union Discount | 138 | + | 9 |
| Luton Park | 170 | + | 16 | **Falls** | | | |
| Lon Merchant | 80 | + | 5 | ASDA | 27½ | − | 1½ |
| MTM | 52 | + | 5 | Eurotunnel Uts | 354 | − | 14 |
| McCarthyStone | 69 | + | 9 | | | | |
| Madera | 239 | + | 10 | | | | |

# Time Warner to reschedule $7bn of loans

By Alan Friedman in New York

TIME WARNER, the debt-laden US media and entertainment company, is seeking to reschedule $7.2bn of bank loans in what could be the biggest US corporate debt restructuring of the year.

The New York-based company, which recently saw the ousting of Mr Nick Nicholas, president and co-chief executive, has employed Chemical Bank and Bankers Trust as the agent banks to handle most of the debt rescheduling.

Chemical and Bankers Trust have begun marketing a $6.2bn loan for Time Warner to replace other bank loans taken on in 1989, at the time of the $14bn merger of Time and Warner Communications.

Although the company's operating subsidiaries are profitable, the heavy debt burden has preoccupied top management and resulted in large losses for Time Warner since the merger. One of the reasons why Mr Nicholas was ousted in February was his disagreement with Mr Steve Ross, Time Warner chairman, over how to solve the company's debt problems.

The Time Warner debt rescheduling plan calls for the maturity of the $6.2bn new loan to be stretched out beyond current commitments. At present, Time Warner is supposed to make huge annual repayments of principal that could cripple the company – $2.3bn next year and $1.4bn each year from 1994 to 1997.

The interest rate on the new loan is expected to be about 1 percentage point above the London interbank offered rate, which should be about 50 to 75 basis points higher than the present average cost on bank debt.

Time Warner's total debt is $8.7bn. The company also has another $6.3bn of preferred stock generated by the 1989 merger.

Debt servicing cost $966m in 1991, which pushed the loss to $99m for the year. But the cost of dividends on the preferred stock plunged Time Warner into a $692m deficit last year.

The preferred dividend costs led to an ultimate $150m loss in the first quarter of 1992, which eclipsed the company's $3m net profit.

Along with the $6.2bn new loan, Time Warner is completing a $1.1bn private placement among institutional investors.

In New York yesterday, Time Warner's share price fell $⅞ to $103⅜.

# Lloyds Bank set to make bid for Midland today

By Robert Peston in London

LLOYDS Bank will announce this morning that it plans to bid for its rival Midland Bank, the UK bank which is already the object of a £3.3bn ($5.9bn) takeover offer from Hongkong and Shanghai Banking Corporation.

Bankers said last night that the announcement would be made this morning. It will be the first time that a UK clearing bank has made a hostile attempt to acquire another UK clearer.

Midland is likely to oppose the bid. Mr Brian Pearse, Midland's chief executive, said his bank's board would have to read Lloyds' terms before deciding whether to oppose the offer. But he said an offer from Lloyds was likely to be unwelcome.

Lloyds, advised by the merchant bank Baring Brothers, is expected to say it will offer considerably more than 400p for each Midland share. That compares with Hongkong Bank's offer of new shares and bonds which at yesterday's market prices were worth 400p per Midland share.

BIFU, the banking union, has made plain its opposition to a Lloyds bid. Lloyds plans to make around 20,000 employees redundant from the banks' combined UK workforces of 100,000 staff.

Midland and Lloyds each have around 15 per cent of the market for small business loans. Small and medium size companies are concerned that the combination of Midland and Lloyds would have an adverse effect on competition in this market.

Lloyds has been delaying making its move on Midland because it fears that the Office of Fair Trading will refer its offer to the Monopolies and Mergers Commission, the UK competition authority. Lloyds has therefore been trying to find a bank without a big presence in the UK to take control of more than 500 of its and Midland's branches should its bid succeed.

The Bank of England is expected to remain neutral in the bid battle. The Bank has traditionally been unhappy about banks making hostile bids for each other but it does not believe that a bid by Lloyds will damage the interests of Midland's depositors.

Lloyd's decision to bid is a personal victory for Mr Brian Pitman, Lloyds' chief executive. He is convinced that by combining with Midland he can generate additional annual profits of more than £500m by making 20,000 redundancies, closing around 1,000 bank branches and eliminating a layer of management.

# American Express to cut $1bn costs

By Alan Friedman in New York

AMERICAN EXPRESS, the financial services group, yesterday announced plans to cut annual operating costs at its card division by up to $1bn.

The plan to cut almost 11 per cent of the annual $9.4bn costs at the travel related services (TRS) division, was unveiled by Mr Jim Robinson, American Express chairman.

The TRS division, which suffered a 23 per cent drop in earnings in the first quarter of 1992, has been hit by losses in the Optima credit card division. Last year the division's credit loss provisions jumped by $697m at the pre-tax level, half of the increase caused by Optima.

Mr Robinson yesterday told shareholders at the American Express annual meeting that costs at TRS would be cut by between $500m to $1bn over the next three years.

Mr Mike O'Neill, a spokesman for American Express, said the effect of the cuts on the staffing levels at TRS would be "minimal". TRS employs 55,000 of the group's 110,728 workforce.

Meanwhile, Mr Robinson yesterday sought to counter allegations that he was more actively involved than previously known with company operatives who ran a late-1980s smear campaign against Mr Edmond Safra, the Swiss-based banker.

In 1989 Mr Robinson personally apologised publicly to Mr Safra and acknowledged that persons acting on behalf of American Express had been the source of "untrue and defamatory" media stories about Mr Safra.

A book to be published this week claims Mr Robinson personally initiated an American Express investigation of Mr Safra in 1986 that spawned the smear campaign and received briefings from an aide who was involved in the anti-Safra campaign.

The book, Vendetta: American Express and the Smearing of Edmond Safra by Mr Bryan Burrough, quotes Mr Harry Freeman, a former top aide to Mr Robinson, as saying it was "a 100 per cent probability" that Mr Robinson was briefed in detail about the smear campaign. Mr Freeman yesterday said through his lawyer that his comments had been "ripped out of context".

Mr Robinson said yesterday: "I was not aware of, did not authorise, nor condone any effort to smear Edmond Safra or his associates."

## Stefan Wagstyl on the effect of capital adequacy standards

# Japan's banks braced for a capital storm

For Japanese bankers and their borrowers, at home and abroad, March 31, 1993, looms ever larger.

It is the day that tough capital adequacy standards set by the Bank for International Settlements come into effect.

Until the end of last month, Japanese banks hoped to make the grade with a combination of boosting their capital, cutting growth in assets, including loans, and luck.

But this month's 15 per cent plunge in the Tokyo stock market has thrown the bankers' calculations into confusion. Mr Tsuneo Wakai, chairman of the Federation of Bankers' Associations of Japan, warned this week that if stock prices remained at current depressed levels until next March, Japanese banks would fail to meet BIS requirements. He warned this would dampen international confidence in Japan's banking system and economy.

Mr Wakai's fears may already have been realised. In the past month foreign bankers in Tokyo have reported a sharp increase in inquiries from overseas clients about the creditworthiness of Japanese financial institutions.

Nevertheless, in spite of Mr Wakai's concerns, there is little evidence of panic among Japanese bankers. Instead, they plan to postpone drastic steps until later in the financial year in the hope the stock market might recover. One senior banker says: "We will not take any difficult decisions until after September."

For borrowers that means the stock market plunge will probably not bring further tightening of the credit supply from Japanese banks. But companies seeking funds next year could face an anxious time.

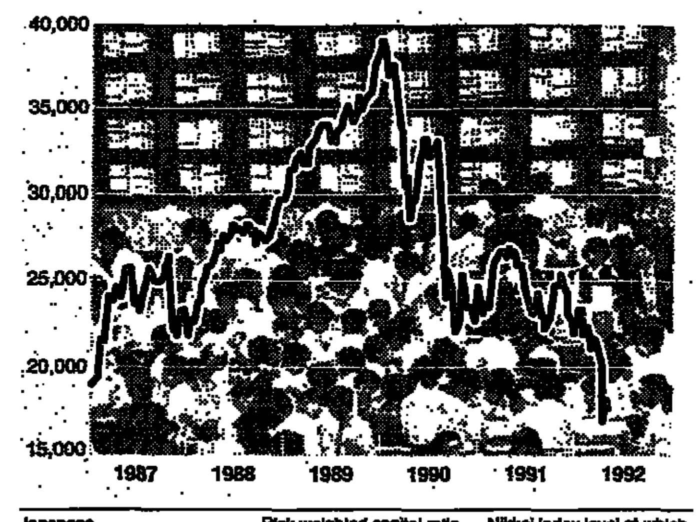
Banks can improve capital adequacy ratios by raising capital or by cutting asset growth. Japanese banks have done both: they raised equity until the stock market plunged in 1990, then took out subordinated loans, which for BIS purposes count as capital.

Meanwhile, they cut asset growth from a peak above 15 per cent in the late 1980s, to an estimated 4 per cent in the year to the end of March 1992. As a result, most banks met the BIS final standard of 8 per cent for the ratio of capital to risk-weighted assets.

But the plunge in the stock market, led by a sharp fall in bank shares, has pushed most leading banks below 8 per cent. Japanese banks count as capital a portion of unrealised gains on share portfolios – gains eroded by the stock price fall.

The decline in confidence has been so serious that the Ministry of Finance last week announced preliminary figures for the banks' financial results and reassured investors that Japanese banks were sound.

**Nikkei average index**




| Japanese Banks | Risk weighted capital ratio (end Sep 1991) | Nikkei index level at which capital ratio falls below 8% |
|---|---|---|
| Dai-Ichi Kangyo | 8.38% | 15,624 |
| Sakura | 7.57% | 18,611 |
| Sumitomo | 8.94% | 11,711 |
| Fuji | 8.72% | 15,974 |
| Mitsubishi | 8.71% | 16,194 |
| Sanwa | 8.50% | 15,151 |
| Tokai | 8.34% | 17,051 |
| Kyowa-Saitama | 8.90% | 12,478 |
| Bank of Tokyo | 8.50% | 19,024 |
| Daiwa Bank | 9.01% | 14,007 |
| Hokkaido Takushoku | 8.80% | 16,258 |
| Industrial Bank of Japan | 8.39% | 15,369 |
| Long Term Credit Bank | 8.56% | 15,118 |
| Nippon Credit Bank | 8.03% | 17,668 |

Source: IBCA

Fortunately for Japanese banks, BIS rules contain no sanctions. The Japanese finance ministry will decide on penalties – and it is unlikely to do anything to undermine the banks' interests at such a delicate time. US and European regulators are also unlikely to pressure Japan for fear of the impact on international confidence in Japanese banks.

Banks with ratios below 8 per cent may see credit ratings cut by the rating agencies – but most agencies have already marked Japanese banks down heavily in the past two years in response to the world economic slowdown and mounting bad loans in property markets. Similarly, poor BIS ratios could affect investors' opinions of bank shares – but this may have been discounted in the recent sharp price plunge.

One answer might be to change BIS rules. But Bank of Japan officials have ruled out a unilateral appeal from Japan to BIS, as this could appear an admission of weakness. As a last resort, the Bank of Japan might try persuading the US and European central banks to revise the rules jointly. But this could still look like a cry for help from Japan.

So it will be for Japanese banks to work out their own salvation. For the current year, leading banks plan to raise more subordinated debt. But BIS limits the subordinated debt which can be counted as capital – and some banks are near the ceiling.

The capital base will also be reinforced by profits. However, banks' successes in increasing revenues from current businesses – mainly by widening interest rate spreads – is being offset by losses suffered through writing off past bad loans. According to the finance ministry, banks' operating profits in the year to last March rose 26.8 per cent but net profits (after write-offs) fell 24 per cent.

So, barring a sharp stock market recovery, banks will be forced to cut asset growth or, probably, reduce assets. So far, they have done this mainly by cutting money market exposure and other financial market investments. They will press ahead with securitisation – parcelling loans into small lots and selling them to institutional investors.

The banks have been helped by decline in demand for loans in Japan because of the economic slowdown. So, as Bank of Japan officials point out, there has been no general credit crunch in Japan. Nor have there been any conspicuous cases of Japanese banks denying credit to overseas borrowers.

Certainly, borrowers in some sectors, notably property, are squealing for credit. But their problems do not stem from BIS-imposed constraints but from the plunge in property prices in Tokyo, London and New York.

However, there is a real concern that general credit shortages could emerge if the Japanese economy begins to recover, as expected by the authorities, at the end of 1992, as companies will want funds for restocking. Mr Reese Harasawa, a planning department manager at Mitsubishi Bank, says: "When the economy picks up there could be a problem if borrowers are denied loans. That's a delicate issue."

At the same time, increasing numbers of companies will seek to refinance equity-linked bonds they issued in the boom of the late 1980s. The peak in bonds falling due comes next year. The president of a leading Japanese software company, seeking to refinance $100m of bonds falling due next year, says he has already begun talking to his main bank but does not know if he can raise a loan to repay the bonds. "This is now my biggest headache," he says.

Japanese bankers try to reassure borrowers saying they are sticking to their original lending plans (set before this month's stock market fall) which call for keeping the growth in foreign assets to around zero, and to between 2 per cent and 3 per cent for assets overall.

Top priority will go to servicing a bank's best customers, which will usually mean old-established Japanese borrowers. But a Bank of Tokyo official says banks will pay attention to quality – seeking to maintain credit quality and boost lending margins. So even blue-chip borrowers may have to pay more for funds.

Banks dislike admitting that some would-be borrowers will be turned away. But they almost certainly will. As one banker says: "If a new borrower comes to us with a new proposal we would have to think very seriously. I believe we may well say 'no'."

# Top Tokyo brokers to cut dividends

By Steven Butler in Tokyo

JAPAN'S big four securities companies – Nomura, Yamaichi, Daiwa, and Nikko – are being forced to write off Y129.9bn ($973.5m) in securities losses following the steep fall in the Tokyo stock market.

The companies are also, with the exception of Nomura, cutting dividends sharply in response to declining profitability.

Daiwa said yesterday it would declare Y36.45bn in securities losses in the fiscal year ended in March because the market price of securities it holds have plunged below acquisition costs.

The firm also said pre-tax profits would fall nearly 30 per cent below estimates of Y13bn made in early March, compared with Y119bn a year ago. The company will cut its full-year dividend from Y14 a share to Y9 a share.

Daiwa's business, like others in the industry, has been hit by a decline in securities markets caused by the weaker Japanese economy and high interest rates. Retail customers have also been deterred by scandals last year and trading volumes have plunged.

Yamaichi will declare securities valuation losses of Y40.75bn and cut its dividend from Y13.5 a share to Y7.5. Yamaichi expects a pre-tax loss of Y34bn, against Y67bn profit last year.

Nikko Securities will declare valuation losses of Y18.2bn, and cut its dividend payment from Y13.5 to Y8.5 a share. Pre-tax profits will decline to Y2.5bn, from Y72.9bn a year ago.

Nomura will declare Y34.5bn in securities losses, but expects a pre-tax profit of Y45bn, against Y233.5bn a year ago. Its dividend is not expected to be cut.

# Siemens advances 8% on strong domestic market

By Andrew Fisher in Frankfurt

SIEMENS, the German electrical and electronics group, yesterday reported a rise of 8 per cent to DM859m ($521m) in net profits for the first half of its current financial year, with business growing faster at home than abroad.

It said activity improved slightly towards the end of the second quarter from the moderate rate seen previously. But progress was different throughout the group, with standard electrical products feeling the impact of the worldwide economic weakness. Among the best performing sectors were telecommunications, power generation and medical technology. The rail systems division was also buoyant with a 50 per cent increase in orders from east Germany. The overall east German order inflow was DM1bn higher at DM2.4bn, but this partly reflected the first-time inclusion of Siemens' new subsidiaries there.

The domestic market provided the main impetus behind Siemens' turnover and orders, with foreign business relatively flat. Mr Karlheinz Kaske, chief executive, said in March the worldwide economic slowdown did not appear to be ending quickly. Turnover in the first six months ended March 31 was up by 8 per cent to DM36bn; while Germany showed a 12 per cent increase, foreign sales were only 5 per cent higher.

The new order trend was still sluggish with a rise of 3 per cent to DM43bn – in the first quarter, the inflow was 1 per cent lower – but Siemens said this kept the group on target to reach the DM86bn expected for the full 1991-92 financial year. Incoming domestic orders advanced by 7 per cent, with no improvement at all in foreign business.

Orders and turnover rose at Siemens Nixdorf Informationssysteme (SNI), formed by combining Siemens' computer business with that of Nixdorf. The order inflow was 7 per cent higher at DM6bn. Turnover jumped by 21 per cent to DM6bn, but the group said sales were weak a year ago in the early months after SNI was formed. SNI has said it hopes to halve its losses this year from the DM781m of 1990-91.

# Associated British Foods slips to £175m as investment income falls

By Maggie Urry in London

ASSOCIATED British Foods, the Sunblest bread to Silver Spoon sugar group, yesterday reported a 5.4 per cent fall in pre-tax profits to £175.2m ($308.3m) as investment income fell and baking margins came under pressure. The figures cover the six months to March 14.

Mr Garry Weston, chairman, said there was a lack of buoyancy in the economy and trading conditions were depressed. He saw no sign of an immediate improvement. The shares fell ahead of the results but recovered to close unchanged at 427p as the profits were at the top end of expectations.

Gary Weston: lack of buoyancy in economy

Mr Weston said without a material uplift in the economies where ABF operates in the second half of this year the group would "at best" match the comparable period last year. That suggests a pre-tax profit for the year of at most £322.5m, down from £332.4m.

The figures were affected by the £880m acquisition of British Sugar, owned for 12 weeks of the first half of 1990-91. It contributed sales of £370m and trading profits of £74.5m in the first half, compared with £170m and £33.2m in the comparable period. Group turnover was up 17.4 per cent to £2.1bn, and trading profits were 31.5 per cent higher at £160.4m.

British Sugar's profits more than offset the fall in income from the cash used to finance the purchase. However, investment income fell from £84.4m to £36.6m, with £10m of the fall attributed to lower interest rates. Interest payable was £21.8m against £21.3m. The group's net cash was around £350m at the half-year, down from £416.7m at the September year-end which is a seasonal high point.

After a slightly higher tax rate of 32.4 per cent (31.3 per cent) there was an extraordinary charge of £10.6m which is a provision for the fall in value of the group's stake in Berisford International. Last year's accounts included a £100.5m write-down of the investment. The holding has now been written down to 18p a share.

In the UK and Europe sales were 19 per cent up at £1.8bn, and trading profits 37 per cent ahead to £141.8m.

The first interim dividend is unchanged at 8.5p. But ABF said following the change in year-end the group was shifting the emphasis between its two dividends towards the other payment. As a result the increase for the 1991-92 financial year will be the dividend to be paid in March 1993.

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# Testing time for French insurance groups

**Alice Rawsthorn** examines an industry preparing for partial privatisation

The financial figures of France's grand old insurance companies which have been announced over the past week or so have not made pleasant reading.

The bad news began last Wednesday when Axa, the largest private sector insurer, announced a 28 per cent fall in net profits to FFr2.4bn ($436m). Union des Assurances de Paris (UAP), the state-controlled company which is the biggest single force in French insurance, followed on Thursday by disclosing an 11 per cent decline to FFr3.8bn.

The week ended with Friday's news that Assurances Générales de France (AGF) had made static profits of FFr2.7bn. This week began with yesterday's announcement from Groupes des Assurances Nationales (GAN), which, like AGF is a state concern, that its net profits had slipped by 1.7 per cent per cent to FFr2.3bn.

This picture of sluggish profits comes at a sensitive time for the French insurance industry which is preparing for the government's partial privatisation programme, pressing ahead with its international expansion and facing significant changes in its traditional domestic market.

So far France's insurance groups have led fairly sheltered lives thank to their hold over their home market. The French market slowed last year and the Paris property sector weakened, thereby posing problems for insurers, such as GAN, which have been active investors in the capital. But the French insurers have been spared the horror stories that have hit their US and UK counterparts. They are also, according to Mr Tom Bennett, European insurance analyst at Paribas, "solid, asset rich, reasonably well-run businesses".

The life insurance market is poised for healthy growth in France following the forthcoming reforms of the pension system which should create a lucrative new market for the insurers in private pensions.

The outlook for the non-life sector is not so rosy. The growth potential is lower and this is the area where competition on pricing – and therefore on profitability – has been the most fierce. Moreover the mutual companies, the specialist insurers servicing particular groups, are expanding rapidly in motor and home insurance.

But the real threat to the big French groups is the structural change in distribution patterns. At present they sell their products through networks of agents working for them on an exclusive basis. The agent system protects the vested interest of the established insurers by making it difficult – and expensive – for new competitors, notably foreigners, to expand in France.

However, there are moves among the agents to break away from their exclusive relationship with individual insurers to operate as brokers. The brokers are also becoming more powerful due to an influx of foreign investment.

There are also signs of some big insurers attacking the status quo. Axa has quietly started direct sales of motor insurance. If other big insurers follow, direct selling could become as common in France as in the UK where it represents 10 per cent of the market.

This might increase the French majors' market share in the short term, but over the long term it could weaken their position by making it easier for new players to expand. "The market is changing," said Mr Michael Huttner, European insurance analyst at BNP in London. "Life is going to get much tougher for the French insurers."

The industry faces these changes at a time when the three state-controlled companies – UAP, AGF and GAN – all need to present a sales pitch to the stock market when the state sells part of its holdings, possibly later this year. The plans for partial privatisation have yet to be finalised. The insurers do not yet know if they will be able to raise capital in the share sales.

One reason why they are so keen for capital is to finance their international expansion. Over the past 10 years the big French companies have been diversifying into other European countries. So far they have met with mixed success. Some companies, such as GAN, ran into difficulty in their foreign markets last year.

Undeterred the French insurers are continuing their expansion. AGF is locked in a legal battle over its attempt to invest in Aachener & Münchener Beteilungs of Germany. AGF is awaiting the delivery of the first judgment due next month. UAP is also ambitious in Germany. It hopes to take a 50 per cent stake in Colonia, the German company, by swapping part of its minority holding in Victoire, the French company that controls Colonia.

AGF and UAP are willing to bide their time until their deals come to fruition. Luckily they have the resources to do so.

**Groupe des Assurances Nationales (GAN), one of France's three big state-controlled insurance companies, sustained a slight decline in net profits of 1.7 per cent to FFr2.32bn *($421m) in 1991, from FFr2.36bn in 1990*, writes *Alice Rawsthorn*.**

**GAN, which is preparing for a share sale probably later this year as part of the French government's partial privatisation programme, is raising its dividend by 9.3 per cent to FFr50.3, despite a drop in earnings per share to FFr209.6, from FFr230.9**

**The company, chaired by Mr François Heilbronner and involved with banking through its *controlling investment in the CIC group, saw its overall sales rise by 21 per cent to* FFr116bn. The level of capital also rose 25 per cent to FFr22bn.**

**Its net banking revenue rose by 10.6 per cent to FFr16.9bn. Last autumn GAN announced its was increasing its majority stake in CIC from 56 to 80 per cent.**

**Insurance, which is still the largest part of the group, mustered an increase in turnover of *18.5 per cent to FFr39.7bn despite the competitive state of the French insurance industry*. However, GAN is believed to have had difficulty in its UK and Italian insurance interests last year because of the unstable state of the markets in those countries.**

# Rank offers 22 UK hotels for sale

By Michael Skapinker in London

THE RANK Organisation has put 22 of its UK hotels up for sale, including the Royal Garden and Royal Lancaster hotels in London. The company, whose interests include cinemas, film distribution, bingo and Butlin's holiday camps, said although it had received several approaches it did not expect to find one buyer for all the hotels.

Mr Michael Gifford, chief executive, said the sale of all the hotels would take several years. He expected to sell one or two hotels before the end of the financial year in October. City estimates of the total value of the hotels – five in London and 17 in the provinces – range from £300m to £350m ($528m to $616m).

Rank will retain more than 30 other hotels which are linked to operations such as Butlin's and the Shearings coach holiday business. Mr Gifford said the sale would help the group reduce net debt from 64 per cent of shareholders' funds at the end of the last financial year to 50 per cent.

Rank's shares rose 13p on the announcement, closing at 739p. The view in the City was the relatively expensive hotels did not fit in well with Rank's other businesses, which tend to cater to the mass market.

Mr Paul Slattery of Kleinwort Benson said the hotel business was one in which Rank was "a mile wide and an inch deep. They're not a major player in hotels and they're unlikely to become one. They will be able to concentrate on those businesses in which they're committed to growing."

He said the sale of the provincial hotels was likely to prove difficult. The number of establishments on the market has been swollen by hotels that have gone into receivership.

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# Kingfisher diversification

By John Thornhill in London

KINGFISHER, the UK retailing conglomerate which includes Woolworths and B&Q, is investigating whether to open discount warehouses for office products in partnership with Staples, a US speciality retailer.

The two companies are conducting a study which may lead to an agreement to open stores by the year-end. Such a move would have a significant impact on the somewhat sleepy UK office products market.

Staples runs 125 stores in the US selling a wide range of deeply discounted office products and furniture in supermarket-style outlets.

Staples stores stock about 5,000 brand name office supplies spanning computers and cleaning equipment. Staples has acquired a reputation for aggressive organic expansion. The company also owns a 16 per cent stake in Business Depot which operates three stores in Canada.

It is not yet clear if the two parties would simply try to replicate the Staples format in the UK. Kingfisher possesses a deep knowledge of suitable out-of-town retailing locations through its operation of the B&Q DIY chain.

## INTERNATIONAL COMPANIES AND FINANCE

# Xerox shows 10% gain in net profit to $128m

By Karen Zagor in New York

XEROX, the US document-processing group, yesterday unveiled a 10 per cent improvement in first-quarter net profits on a 3 per cent increase in revenues.

Net income for the three months ended March 31 totalled $128m, or $1.10 a fully diluted share, against $116m, or $1, in last year's first quarter. Revenues were $3.31bn, compared with $3.2bn.

Income from the group's document-processing business was $113m, up 3 per cent from the previous year. Revenues also rose 3 per cent to $3.3bn.

Mr Paul Allaire, chairman, said sales of less expensive copiers and decentralised electronic printers continued to show strong growth worldwide. However, the company's overall performance was hurt by the weak economic climate in Japan and some parts of Europe.

During the latest quarter, Xerox cut about 1,000 jobs as part of the company's previously announced plans to reduce its workforce by about 2,500. Mr Allaire said the effect of the total reduction would be reflected in Xerox's financial results later in the year.

Earnings from Xerox's insurance and financial services operations rose to $66m in the quarter from $47m, though revenues dipped to $944m from $1bn a year ago.

The company, which has been moving away from real estate and third-party transactions, attributed the decline in revenues to strategic changes in property and casualty insurance operations. Interest and headquarters expenses rose to $51m from $41m, limiting earnings from insurance and financial services to $15m against $6m last year.

# Canada defers action on O&Y aid

By Bernard Simon in Toronto

THE Canadian government for the time being will not offer any financial assistance to Olympia & York, the debt-burdened property developer.

The political risk of bailing out the wealthy Reichmann family, which owns O&Y, and the success so far in containing the fall-out from O&Y's troubles have led the government to defer taking a decision on a loan guarantee requested by O&Y and its lenders.

The guarantee is required to facilitate the sale-and-leaseback of the 36-storey Exchange Tower building in Toronto. O&Y needs funds from the deal to retire a commercial paper programme secured by the building.

A senior government official said yesterday that Ottawa would "hang back and watch for a bit". The cabinet has yet to consider any proposal to support O&Y.

The government's hesitancy reflects public resistance, including in many business quarters, to the use of public funds to prop up O&Y. The Globe & Mail newspaper said in a weekend editorial that there was "no public policy interest in shielding the Reichmanns, their banks or the banks' shareholders from the consequences of their actions".

An executive with one of the country's largest property brokers said many agents would welcome any weakening of the grip that O&Y and another large developer, Cadillac Fairview, have on the downtown Toronto office market.

The government had considered helping O&Y, which is world's biggest property developer, when it appeared O&Y's troubles might destabilise the banking system and currency markets. However, the chief executives of O&Y's two biggest creditors, Canadian Imperial Bank of Commerce and Royal Bank of Canada, have said that write-offs of their portions of O&Y's US$12bn debt would have only a limited impact on their earnings.

Disgruntled holders of unpaid commercial paper remain a potential threat to O&Y's stability. Under the trust indenture of the Exchange Tower commercial paper programme, the trustee is obliged to declare O&Y in default if more than 25 per cent of holders ask it to do so.

Royal Trust, the trustee for the programme, said it would act "in the best interests of our note-holders". The trust company is reported to have set up a special committee to consider the delicate fiduciary issues raised by O&Y's delay in redeeming the paper.

Mr Donald Wright, president of Merrill Lynch Canada, one of seven securities dealers that made the market in O&Y commercial paper, said he still expected "a happy outcome" on the commercial paper issue.

In keeping with their obligation to create a secondary market, several securities firms, including Merrill Lynch, still hold inventories of Exchange Tower paper. The rest is held by institutional investors.

Mr Wright noted O&Y scrupulously repaid, with accrued interest, another commercial paper programme on which redemptions were delayed by its liquidity crisis last month.

# Compaq hit hard by price drop

By Louise Kehoe in San Francisco

COMPAQ Computer's first-quarter earnings plunged as the personal computer manufacturer struggled to respond to rapidly declining prices and fierce competition. In addition, the company said it expected second and third-quarter earnings to be below those of the first quarter.

Separately, Compaq announced it was to withdraw from the Ace Initiative, an industry group it co-founded with Digital Equipment and Microsoft a year ago to establish a new hardware and software standard for advanced personal computers.

Compaq's first-quarter net income was $45m, or 53 cents per share, a 60 per cent decline from $114m, or $1.26, in the same period last year. Revenues were $783m, down 19 per cent from $971m in the first quarter of 1991. The stock fell almost $3 in midday trading to $24¼.

Compaq blamed its earnings decline on the extraordinary drop in personal computer prices recently.

"Our financial results for the remainder of the year will continue to be influenced by aggressive pricing and increased expenses due to an ambitious advertising schedule, the introduction of new products late in second and third quarters, and expansion of our distribution," said Mr Eckhard Pfeiffer, president and chief executive.

Compaq will launch a new range of lower priced desktop and portable personal computers in June.

"We'll broaden our line with these aggressively priced, entry-level desktops and notebooks that will appeal to our traditional business customers as well as customers in the home, individual user and small business markets," Mr Pfeiffer said.

The company was "unlikely to see the positive impact of our plans on earnings before fourth quarter", he warned.

Compaq's withdrawal from Ace is widely seen as the final blow in a series of events that have significantly weakened the group's ability to establish a new standard for personal computers based upon Mips Computer's Risc microprocessor.

Explaining Compaq's decision to withdraw from Ace, Mr Pfeiffer said the company had put "on hold" its plans to launch products based upon a "reduced instruction set computing" (Risc) architecture this year, and instead would continue to focus on developing machines built upon Intel microprocessors.

Earlier this month Digital Equipment and Microsoft, two other key members of Ace, announced a new alliance focused upon Digital's new "alpha" microprocessor.

Mips Computer, which developed the Risc microprocessor, last month was acquired by Silicon Graphics, a workstation manufacturer.

# Macy chief decides to step down

By Karen Zagor

MR EDWARD Finkelstein, chairman and chief executive of R.H. Macy, yesterday said he was stepping down from the helm of the company he had steered through a $3.6bn buy-out in 1986 and more recently into the bankruptcy courts.

Yesterday's announcement follows growing speculation that outside directors of the New York-based department store chain are taking control of the board.

Mr Finkelstein, 67, had been regarded as something of a retailing wizard through most of his 43-year career with Macy, before the company's troubles became apparent in late 1988. He masterminded the 1986 management-led leveraged buy-out, which was extremely successful. But he ran into trouble in 1988 after a bidding war for Federated Department Stores left Macy with Federated's California divisions and an additional $1.4bn of debt.

Macy struggled for years under its heavy debt burden, estimated at around $3.7bn, and cash-flow was further depleted by the impact of recession in the US and weak sales during the important Christmas season.

The company filed for protection from creditors under Chapter 11 of the US bankruptcy code in January.

"I believe it is best for the organisation to focus on the future, instead of the past," said Mr Finkelstein, "and that this is an appropriate time to turn over the reins to my able colleagues."

Mr Myron Ullman, 45, and Mr Mark Handler, 59, have been named co-chairman and co-chief executives. Mr Handler has been with Macy since 1958; Mr Ullman joined the company in 1988. Mr Finkelstein will remain as a consultant.

# P&G lifted by foreign markets

By Martin Dickson in New York

PROCTER & Gamble, the US consumer products group, yesterday reported a 12 per cent increase in third-quarter net earnings, helped by sales growth in foreign markets.

The company made $474m, or $1.33 a share, compared with $424m, or $1.16, in the same period of last year. Sales rose from $6.79bn to $7.48bn.

Mr Edwin Artzt, the chairman, said that business was "getting better. This was a solid quarter for us. Unit volume, sales and pre-tax operating earnings were all up 10 per cent or better, despite continued significant investment in new products."

The company said the increases in sales and earnings were due to "improved operations of the business, reflecting broadly based unit volume growth, particularly outside the US".

Although other income increased primarily from one-time sales of assets, this was more than offset by higher interest expense and a higher effective tax rate.

For the nine months net earnings were $1.53bn, compared with $1.47bn in the same period of 1991. This worked through at $4.32 a share, against $4.09. Sales rose from $20.3bn to $22.19bn.

# IBM seeks deals with clone makers

By Alan Cane

INTERNATIONAL Business Machines, the world's largest computer manufacturer, is striking unlikely bargains in its fight to protect its share of the personal computer market, which was once almost 50 per cent.

Hard on the heels of its agreement to develop advanced PCs with its arch rival, Apple Computers, it is seeking deals with "clone" manufacturers. These are companies whose low-priced copies of IBM's designs cost the US manufacturer much of its dominance in the PC market place.

Clones are functionally and sometimes physically almost indistinguishable from IBM's own designs. However, because clone makers have lower fixed costs and are prepared to accept much slimmer profit margins they can sell for lower prices.

Reports suggest IBM is in talks with Northgate Computer Systems which could lead to it taking a stake in the small PC manufacturer, which is seeking new investment.

Based in Minnesota, the company manufactures a complete line of high-performance, low-cost clones, including notebook computers, desktop machines and tower configurations.

The important element to Northgate Computer Systems' recent success has been the appointment in 1988 of Mr Gary Held, first as chief operating officer and then president. The company grew from revenues of $32m in 1988 to $200m in 1990.

The company said yesterday it was in talks with several potential investors, but would neither confirm nor deny IBM was among them.

IBM is test selling a clone in south-east Asia and there has been speculation, which has not been denied, that it is seeking an agreement with a clone manufacturer in Taiwan or Singapore to provide low-cost PCs for the European market.

# Dow Corning suffers 15% decline

By Karen Zagor

DOW Corning, the 50-50 joint venture between Dow Chemical and Corning that is the world's biggest manufacturer of silicone breast implants, yesterday reported a 15.6 per cent decline in first-quarter earnings, reflecting charges related to the implants.

The Michigan-based company, which last month said it would withdraw from the silicone implant business, had net income of $36.3m on sales of $484m, against $43m on sales of $452m in the first quarter of the previous year.

In the latest quarter, the company had $24m of expenses related to breast implants, which Dow Corning said "contributed largely to the reduction in profits". A change in accounting standards contributed $16.4m towards Dow Corning's earnings in the latest quarter.

Earlier this month the US Food and Drug Administration (FDA) sharply restricted the use of silicone gel breast implants after an advisory panel concluded that the devices had not been proved to be safe.

Mr Edward Steinhoff, chief financial officer, said the company does not expect the breast implant issue to continue to affect profits at the same rate.

Mr Steinhoff said the company's first-quarter sales paralleled the gradual economic upturn in the US. "Other major economies are slowing, however, but our good geographic balance is helping Dow Corning maintain steady revenue growth."

Mr Steinhoff said sales growth in the US had been led by general silicone activities.

"While the economic picture in Europe is gloomy now, we are well-poised to take advantage of that area's longer-term prospects for growth with a $300m expansion to our facilities in Barry, Wales," Mr Steinhoff added.

# Hershey Foods ahead to $58m

HERSHEY Foods, the US confectionery group, reported higher first-quarter earnings, driven by improved results from US chocolate operations, Bloomberg reports.

Net income rose to $58.92m, or 65 cents a share, from $48.64m, or 54 cents, in the 1991 first quarter. Sales advanced to $800.97m from $684.57m.

Hershey Chocolate USA was the principal contributor to earnings. The consolidation of Nacional de Dulces and Gubor Schokoladen, acquired in 1991, also boosted results.

# Qantas considers stake in carrier

By Kevin Brown in Sydney

QANTAS Airways, Australia's government-owned international carrier, yesterday said it was considering bidding for a significant stake in Australian Airlines, the domestic carrier which is to be privatised next year.

Mr John Ward, chief executive, said Qantas would file an expression of interest with the government's airline sales task force on Thursday, the deadline for indicative offers.

However, Mr Ward said Qantas had not finally decided to bid for Australian, and indicated the airline also planned to discuss a possible operating agreement with Ansett Australia, the domestic carrier jointly owned by TNT and News Corporation.

He said Qantas's preference was for a significant holding in Australian, but it would be unable to judge whether to bid for a controlling stake until the next stage of the sale, when the government would discuss detailed options with bidders.

Qantas has been barred from discussions with Australian, Ansett and other airlines since an information memorandum on Australian was circulated by the government shortly before Christmas.

However, the government announced in February that a ban on cross-shareholdings between Qantas and the domestic airlines would be lifted as part of a proposed second stage of deregulation in the Australian aviation market.

Mr Ward said the acquisition of a significant stake in Australian was not beyond the financial capacity of Qantas, although short-term bridging finance might be required until the international airline's own partial privatisation was finalised.

"I wouldn't see a stake in a domestic airline as being insurmountable," he said. "We have been trading profitably for several months [and] . . . we don't see anything in our financial position incompatible with a bid for Australian."

Mr Ward said the government's revised aviation policies, which would allow domestic carriers to fly on international routes and create a single aviation market in Australia and New Zealand, had confused the prospects for its own partial privatisation.

However, he said the airline hoped the sale of 49 per cent of its capital would go ahead later this year, either by way of a trade sale or a flotation on the Australian Stock Exchange.

Initial enthusiasm for the airline sales has cooled in the face of international recession and changes in government policy. But British Airways and Air New Zealand are believed to be interested in acquiring stakes in Australian Airlines. Singapore Airlines is believed to be interested in taking a stake in Qantas.

# Tokyu Store gross profits fall 18% to Y10.8bn

TOKYU Department Store yesterday reported that group pre-tax profit fell 18 per cent to Y10.8bn ($80m) in the fiscal year ended January 31, AP-DJ reports.

Sales were up 8.2 per cent at Y558.3bn from Y515.85bn last time.

Reflecting a general trend among Japanese department stores, Tokyu's pre-tax profit suffered because management and marketing costs rose faster than sales while sales of luxury goods were damped by the slowdown in Japan's economy.

The group suffered a net loss for the past fiscal year of Y806m, against a profit of Y5.07bn the year before.

This was mainly because of a special loss suffered through Daiwa Securities Company's "Tobashi" trading of Tokyu stock.

Through Tobashi trading a securities company arranges repurchase agreements, selling and buying shares for customers at artificial prices to allow clients to avoid posting losses on their investments in their earnings reports.

Tokyu claimed Y60.5bn in damages from Daiwa, but the broker agreed to compensate only 80 per cent of that amount.

That left Tokyu with a loss of roughly Y11bn.

For the current fiscal year, Tokyu expected group pre-tax profit to climb 4.6 per cent to Y11.3bn, with sales rising 2.1 per cent to Y570bn.

The company said it projected last fiscal year's net loss to swing to a net profit of Y4.4bn.

## Correction

## Tokai Bank

In yesterday's edition of the Financial Times the securities valuation losses of the Tokai Bank were incorrectly listed in a table as Y84.7bn.

This amount was the valuation loss of the Bank of Tokyo. The Tokai Bank's correct valuation loss was Y54.7bn.

# Gencor profits hit by weak commodity markets

By Philip Gawith in Johannesburg

CONTINUING weakness in world commodity markets caused a 26 per cent drop in earnings at Gencor, the South African mining house, in the six months to the end of February.

Attributable income dropped by 26 per cent to R562m, ($195.8m) with earnings per share down by a similar margin to 47.8 cents from 65 cents in the same period last year.

Mr Brian Gilbertson, chairman, said: "The results reflect the difficult part of the commodity cycle we're in." He noted that if transaction profits were stripped out of the 1991 results then the earnings decline was much more modest, from 52 cents to 48 cents per share.

Mr Gilbertson did not forecast a quick turnround, and said earnings for the second half "will not easily match the level just reported".

He said, though, that all the companies in the group were well positioned for an upturn. Malbak, Sappi and Gencor have all recently made rights issues.

Although most commodity markets remained depressed, Mr Gilbertson discerned some optimistic pointers. On the ferro-alloys side, ferro-silicone and ferro-chrome prices have firmed recently.

Gilbertson: not forecasting a quick turnround

Sappi, the paper products group, has confirmed a turnround in pulp prices, while stainless steel order books at Middelburg Steel and Alloys have picked up. However, Mr Gilbertson said: "It's only one or two swallows. The summer is not here yet."

Gencor has two very large capital projects on hand: the Columbus stainless steel joint venture with Anglo American, and the Alusaf aluminium project.

Mr Gilbertson said he would be surprised if both projects, with a cumulative cost of over R6bn, did not receive the go-ahead. A decision on Alusaf is expected during July, while Columbus should get the go-ahead this calendar year.

Following a R2bn rights issue earlier this year, the Gencor group had considerable cash on hand, and Mr Gilbertson said he was still hopeful Samancor would be able to finance its share of the Columbus project without recourse to shareholders.

Responding to ongoing speculation about links with Lonhro, Mr Gilbertson said that they were in discussion with Lonhro with a view "to achieving future synergies between our different platinum operations".

He said these talks had been going on for a long time and were nothing new. He added that the platinum assets, over which Gencor has pre-emptive rights, were the most attractive asset in Lonhro, but that they would also be interested in other mining assets, such as the Ashanti gold mine in Ghana, should they be on offer.

Other Lonhro interests such as motor-dealerships, tea and hotels were "not our natural scene".

# Banco Popular rises 30% in first quarter

By Tom Burns in Madrid

BANCO POPULAR, the Spanish retail bank, raised its first-quarter net profits 30 per cent to Pta14.1bn ($134.7m), compared with the previous year thanks to the partial sale of its subsidiary in France.

The disposal of 50 per cent of the Paris-based Banco Popular Comercial to the Banco Comercial Portugues earned the Spanish institution Pta1.6bn in extraordinary profits. Banco Popular's net profit for the first quarter from the day-to-day financial business stood at Pta12.5bn, 15.5 per cent up on last time.

Banco Central Hispanoamericano (BCH), the domestic retail bank which is the result of the merger between the Central and the Hispanoamericano banks, reported pre-tax consolidated group profits for the first quarter of Pta28.4bn, an 8.1 per cent increase.

Mr Jose Mara Almusategui, BCH's chairman, forecast the group's results would continue at a similar pace throughout this year. In 1991, BCH raised its consolidated net profits to Pta76.5bn, up 2.7 per cent.

The Banesto group, which like BCH combines banking with widespread industrial assets, reported a first-quarter net profit rise of 1.9 per cent to Pta14.1bn.

# Neste reports sharp downturn

By Sara Webb in Stockholm

NESTE, the Finnish state-owned oil and petrochemicals group, reported a sharp downturn in profits for 1991, and blamed the poor performance on its chemicals division.

Group profit (before extraordinary items, reserves and taxes) plummeted to FM478m ($105.2m), from FM2.41bn in the previous year. Net sales rose by 13.7 per cent to FM53.03bn, from FM46.63bn.

Neste said its chemicals division suffered from the sharp fall in international prices which resulted from a downturn in the world economy and the increase in capacity in the petrochemicals and plastics industries.

The group said there had been no sign of a recovery in prices. The chemicals division is Neste's second largest business area with sales of FM8.87bn.

Oil operations, the group's largest business area with sales of FM42.74bn, showed "a satisfactory result, despite the drop in oil consumption in Finland and increased competition following the deregulation of oil imports".

Neste does not release separate profit or loss figures for the individual divisions, but said its gas, shipping, and exploration and production divisions all reported increased profits compared with the 1990 figures.

The state-owned group is being prepared for privatisation, although a date for the sale of shares has not been fixed.

# US oil group posts $114m loss

PHILLIPS Petroleum, the US oil and gas group, yesterday reported a first-quarter loss of $114m, or 44 cents a share, after $86m in after-tax charges for job cuts and debt redemption, Bloomberg reports.

The loss compared with net income of $107m, or 41 cents, in the same quarter last year, when special items reduced earnings by $42m. Revenue fell to $2.76bn from $3.52bn.

Mr C.J. Silas, chairman, said the company's average worldwide crude oil price was down 18 per cent from a year ago while natural gas prices dropped 16 per cent. Excluding special items, the net loss would have been $26m against earnings of $149m last time.

# Hugo Boss improves 26% to DM35.4m

By Andrew Fisher in Frankfurt

HUGO BOSS, the men's fashion company which is based in southern Germany, last year recovered some of its poise with a 26 per cent rise in net profits to DM35.4m ($21.5m).

This was in spite of a write-down of DM24m on its loss-making US business. Turnover of Boss, controlled by the Marzotto concern of Italy, was 8 per cent higher at DM997m. Business grew faster in Germany than abroad, the company said.

The company said that Mr René Jäggi, who has said he would step down as head of the Adidas sports shoe and clothing group at the end of this year, would not become Boss's new chief executive. It said talks with the Swiss-born Mr Jäggi had ended, but gave no reason.

Boss is headed by the brothers Uwe and Jochen Holy, who have contracts until 1994, but have said they would leave earlier if necessary. Yesterday they stated that the company's business had improved further in the first quarter of 1992. Steps had been taken to cut the US losses and Boss should be able to achieve profits this year similar to those of 1991.

# Rand Mines group drops 71%

By Philip Gawith

THE WEAK gold price and higher operating costs combined to cut net profits by 71 per cent for the four gold mines in the Rand Mines group during the March quarter.

After-tax profit dropped to R7.3m ($2.54m) from R25m the previous quarter. The results testify to how vulnerable marginal gold producers are to small variations in the cost of mining, or the price of gold.

Total ore milled, average yield and gold production, at 11.6 tonnes, was virtually unchanged from the previous quarter.

However, total costs rose by nearly 5 per cent to R370m while revenues were lower because the average gold price received dropped 2.3 per cent to R32,817 per kg. Only the Blyvooruitzicht mine made a working profit from its underground operations.

The other mines enjoyed relief from their surface operations, but Harmony is near the end of its surface reserves and the reserves at ERPM and Durban Deep are very low grade.

The main cause of the fall in group profits was the performance of Harmony, by far the largest of the group's mines, and the largest marginal producer in the industry.

Its net profit declined to R6m from R18.3m, in spite of increasing underground gold production to 6,012kg from 5,841kg.

Underground working costs during the quarter were R33,500 per kg, compared to a gold price of R31,400 per kg.

Mr John Turner, chairman of Rand Mines gold division, said further rationalisation of operations at Harmony had become inevitable. This could involve a another 8,000 job losses. The mine's labour force has shrunk to 13,000, from 31,000 in 1989.

Net profit at Blyvoor dropped to R2.7m from R5.2m and to R1.8m from R3.5m at Durban Deep. ERPM made a loss of R3.3m, against R1.9m the previous quarter.













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# GM share issue to be made with cut-price fees

By Richard Waters

GENERAL Motors' proposed $2bn share sale, the largest non-privatisation offering of shares launched internationally, will be carried out for cut-price fees – although the company *is still expected to* pay more than $50m to bankers around the world.

**INTERNATIONAL EQUITY ISSUES**

Although the fee arrangements have yet to be formally agreed, Morgan Stanley, the US investment bank leading the transaction, is understood to have indicated to other banks that they can expect to receive 2.5 per cent of the proceeds for their involvement.

The indicated fee level falls below the 3 per cent level which banks generally regard *as rock-bottom for such deals.* The extra discount reflects the size of the transaction, and a belief that banks involved in underwriting the sale around the world will be motivated more by the amount of fees they will receive than the actual percentage.

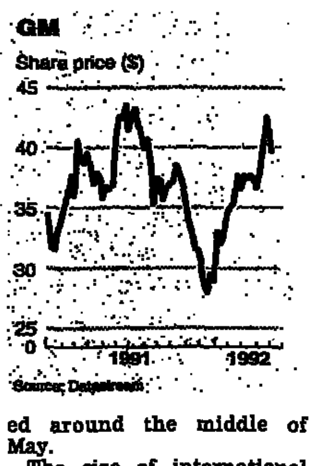
Further details also emerged yesterday of the international portion of the share sale, which is the first to be structured from the US as a series of *separate tranches tied to different* regions around the world. Morgan Stanley will co-ordinate the 50m-share sale, and will also take a leading role in each separate tranche.

It will be joined in the US, where 35m shares have been earmarked for sale, by First Boston, Lehman Brothers and Merrill Lynch.

Daiwa and Nomura will jointly lead the sale of 4.5m shares in the Far East, *with* Cazenove and Warburg responsible for a similar tranche in the UK. Co-leaders on the final instalment of 6m shares, to be sold in continental Europe, Canada and elsewhere around *the world, will be Deutsche* Bank and UBS Philips & Drew.

The 30 per cent of shares earmarked for sale internationally exceeds the typical 10-20 per cent international tranche on US share issues.

*The larger international portion*, and the decision to split it into separate tranches, reflects GM's desire to focus more on non-US investors. An international roadshow, beginning in the Far East late next week and moving to Europe the week after, will take its senior management around the world in the build-up to the sale, expected to be completed around the middle of May.




The size of international *tranches seldom reflects* the final outcome of share issues, though. To generate a higher profile for their deals internationally and to raise their profile in league tables, US investment *banks are known in the* past to have announced large international tranches to share offers which have subsequently been sold almost entirely in the US.

GM's share sale is far more *internationally targeted than* equity and equity-linked issues recently from the two other large Detroit car makers, Ford and Chrysler. Last autumn, Ford targeted 10 per cent of a $750m convertible preference *issue (later raised to $2bn) at* international investors, while Chrysler sold only 5m shares in its 35m-share, $350m issue to foreign investors.

GM's shares lost ground yesterday, trading at $38¾, down *around $1 from Friday and $3¾* below the price before the issue was announced.

GM, which is expected to produce its first quarter earnings today, yesterday released *the results for its three non-au*tomotive subsidiaries.

GM Hughes Electronics earned $181.4m in the quarter, up from $151.2m a year ago, but was helped by a $22m gain on the settlement of a patent *infringement lawsuit.* Electronic Data Systems, the information technology business, made $133.1m, up from a restated $106.3m in 1991. General Motors Acceptance, the group's financing arm, *reported net income of $354m,* up $48m, after excluding a non-recurring 1991 adjustment.

Wall Street is expecting the group as a whole to make a loss, although the company *has been signalling to analysts* that the figures will be much better than the $1.1bn of red ink recorded in the first quarter of last year.

# Berliner Bank posts strong rise to DM56.4m

By Leslie Colitt in Berlin

BERLINER Bank yesterday announced strong profits, a higher dividend and plans for a capital increase.

Earnings rose sharply by 37.5 *per cent last year to DM56.4m* ($34.3m) as the bank expanded strongly in east Berlin and eastern Germany.

The dividend is raised from 10 to 12 per cent. Mr Wolfgang Steinriede, board spokesman, *said the increase was* a "first step" towards attaining the level of other leading German banks.

For the first three months of 1992 pre-tax profits rose 69 per cent to DM90m. Mr Steinriede said the earnings outlook for the remainder of the year was "very promising".

*The bank plans shortly to* raise fresh capital of at least DM500m in two stages to cope with the expansion of business.

Berliner Bank was still interested in merging with Landesbank Berlin, the former Sparkasse of Berlin, said Mr Steinriede. But the City of Berlin, which controls 56 per cent of Berliner Bank, *had yet to* give its approval.

*Some analysts feel that the* increase in capital could be interpreted as meaning the bank was now less eager to acquire Landesbank.

Berliner Bank benefited from the reduction in turnover tax *and investment benefits* granted to Berlin companies by the German government.

In the past, export-oriented Berlin companies first delivered their goods to an affiliate in west Germany in order to get VAT reductions for the company and for the buyer. Only then were the products exported to third countries with the financing usually arranged by west German banks. This business was now being picked up directly in Berlin.

Berliner Bank, which merged *last year with Berliner Stadt*bank in east Berlin, has 28 branches in east Berlin and eastern Germany where it has gained 120,000 new customers.

It is looking further east and has established links with Wielkopolski Bank, one of the largest private Polish banks *located in Poznan, western* Poland.

# De Beers faces 'delicious dilemma'

## Philip Gawith on the diamond producer's role in times of recession

WHEN Mr Julian Ogilvie Thompson, chairman of De Beers, delivers *his annual statement* today, he will be seeking to strike an optimistic note about the diamond market, while not laying himself open to unsustainable predictions.

Last year Mr Ogilvie Thompson forecast that the Central Selling Organisation (CSO) – the De Beers' organisation *which* markets about 80 per cent of the world's uncut diamond production – was confident of sustaining sales. In the event, CSO sales for 1991 were 6 per cent down on 1990 at $4.17bn.

Caution is thus likely to be the watchword in today's statement. Diamonds, like few other businesses, thrive on euphoria and confidence. Fear and pessimism are the enemies of the *diamond* trade, *so Mr Ogilvie* Thompson will be doing his best to make an optimistic reading of the tea-leaves.

It will not be easy. The US which, like Japan, accounts for about a third of sales, has been a weak market in recent years. Had it not been for prosperity in Japan, CSO sales would *have been much lower. How*ever, analysts report that the Japanese diamond sales have now slowed markedly in 1992, partly as a result of the precarious *state of* the Japanese stock market.

News from the first three 1992 sights – the term for the rough diamond auctions, which occur 10 times a year – is not good. Mr Richard Stuart, analyst with Martin, believes sales are cumulatively about 30 per cent down on the same period in 1991.

He predicts sales for the first half of the year will be 25-28 per cent down on 1991 and expects CSO sales for the year to drop to about $3.65bn from $3.93bn in 1991, this being predicated on an increase of about 25 per cent in second-half sales compared to 1991.

De Beers is playing its traditional role in a recessionary climate, acting as a shock-ab*sorber in the pipeline from pro*ducer to final buyer. The CSO attempts to bring stability to the market by adjusting supplies to the diamond cutters to meet demand, while maintaining purchases from producers in terms of contractual commitments. The impact of this policy can be seen in the level *of diamond stocks held by the* CSO, which have risen by nearly 50 per cent in the past three years.

The ratio of stocks to CSO sales reached a high of 136 per cent in 1982, which was the worst period for De Beers since 1929. It then dropped to 48 per cent in 1988, only to climb again to 77 per cent at the end of 1991, or 97 per cent on some estimates if account is taken of Russian stocks held as loan collateral.

*Analysts* point out that are few parallels between the current mild recession in the market and the dark days of the early 1980s.

Then a deflationary period in the world economy caused vast stocks of diamonds, which had been bought as an inflation hedge, to be deposited on the market. De Beers, as a result, lost a degree of control over the supply of diamonds into *the pipeline below the CSO.*

Today there are at least two important differences: there is no large overhang of diamonds, held by non-CSO parties, and De Beers has improved its control over the pipeline. It has, for example, detailed information about the state of indebtedness of the cutters.

The "delicious dilemma" for De Beers, as one analyst puts it, is that its control of the market has never been better – *it is when times are good* that producers get greedy and think of leaving the CSO – but the market is weak.

While De Beers' stabilising role is good for the market, it is not so good, in the short term, for shareholders. The price of stability is higher stocks and paying for this *involves a drop in interest* receipts. Thus De Beers' interest income dropped from $378m in 1989 to $282m in 1990 and $209m in 1991.

De Beers is also the swing producer in the industry and thus more likely to cut its own production in recessionary times than are, say, the Russians. This will be the likely conse*quence of the coming on* stream this year of De Beers' new Venetia mine in the Northern Transvaal. Venetia's production will probably displace that of other more marginal group producers.

The vulnerable state of the market at present makes a CSO rough diamond price rise *unlikely. The last was 5.5 per* cent in March 1990. In 1981 a small price increase caused a very sharp drop in sales – over 40 per cent by value – and De Beers will not want to repeat that.

The longer-term picture *must be giving Mr Ogilvie* Thompson food for thought. De Beers profited handsomely from the heady consumer days of the middle and late 1980s. The question now is: how large is the sustainable market? Can similar growth be expected *again, or has the market* matured?

Glyn Genin

**Julian Ogilvie Thompson: confident of sustaining sales**

# Leif Hoegh improves to NKr135m in first quarter

By Karen Fossli in Oslo

LEIF HOEGH, one of Norway's biggest shipowners, has improved 1992 first quarter net profit by NKr40m to NKr135m and forecasts profits of NKr350m ($20.9m) for the year *as a whole.*

The shipowner also announced that it is restructuring its tanker business by establishing an independent tanker management company, Bona Shipping. Bona, based in Oslo, is expected to be operational from the fourth quarter.

Leif Hoegh said that it is seeking partners and investors for tanker activities. "An independent international ship*owning company, incorporat*ing Bona Shipping, will be established as these activities expand," it said.

The company added it would eventually reduce its equity ownership stake in such a company to less than 50 per cent.

Bona will take over the management of Leif Hoegh's exist*ing fleet of 10* Panmax *ships as* well as two double-hulled Aframax tankers contracted for delivery in 1993 and 1994.

The move would leave Leif Hoegh with a 25-strong fleet comprising liquefied natural gas (LNG) ships, car carriers, container/bulk ships and liner vessels.

In the 1992 first quarter operating profit dipped to NKr90m *from* NKr100m. Freight income fell to NKr551m from NKr707m.

# German rally leads European markets higher

By Simon London in London and Patrick Harverson in New York

EUROPEAN government bond markets overcame fresh political uncertainty to closer higher yesterday, with a rally in German bonds leading other markets higher.

German government bonds fell in the morning session following the surprise resignation of Mr Hans-Dietrich Genscher, the foreign minister.

The June bund futures contract on Liffe, the London exchange, fell to 87.05 in early trading, having opened at 87.13. But the contract rose to 87.46 in late afternoon trading. Volume was an active 65,000 contracts. Traders said the price movement was exaggerated as investors moved to cover short positions taken on last week when the market fell heavily.

Yesterday, the State of Baden Wuertemberg released preliminary cost of living data for the month to mid-April which showed a 0.3 per cent rise in prices on the month. At this level, inflation is running at a year-on-year rate of 4.3 per cent, from 4.8 per cent in March.

Data from other states is expected this week, with preliminary data for the whole of western Germany expected by the end of the week. Analysts are anticipating an annual rate of 4.6 per cent.

Mr Otmar Issing, Bundesbank board member, said that inflation was likely to decline sharply below 4 per cent by late summer. Lower inflation may allow the monetary authorities to cut interest rates and Mr Issing's statement improved sentiment.

## GOVERNMENT BONDS

■ THE ITALIAN government bond market followed a similar pattern, opening lower following the resignation of Mr Francesco Cossiga, the president, on Saturday, but closing higher on the day assisted by the strength of other European markets.

The benchmark 10-year fixed rate government bond closed at 98.16 from 98.095 on Friday. The June 10-year bond futures contract on Liffe closed at 98.39, up from an opening level of 98.13.

The market was weaker in the morning session as the market reacted to the resignation of Mr Cossiga, which leaves Italy without a president or prime minister following inconclusive parliamentary elections earlier this month. However, traders said that the resignation could speed the process of political reform in Italy, with positive implications for bond prices in the longer term.

■ UK GOVERNMENT bonds rallied strongly yesterday, with the strength of the pound on the foreign exchange markets, and the buoyancy of German bond prices leading gilts higher.

The benchmark 9 per cent gilt maturing 2011 was up ½ a point on the day, closing at 99$\frac{27}{32}$ for a yield of 9.01 per cent. The June gilt futures contract on Liffe opened at 98.09 but climbed to 98.29 by late afternoon. Volume was around the average, at 23,000 contracts.

Analysts said dealing in longer-dated gilts was dominated by investors and market-makers adjusting positions before Wednesday's auction of £2.5bn 8¾ per cent gilts maturing 2017.

The very long-dated stock is likely to appeal primarily to domestic UK investors, since overseas institutions are not active buyers of bonds of more than 10-years' maturity. Hence the auction will be a crucial test of UK institutions' appetite for gilts.

■ US government securities fell in quiet trading yesterday as the market awaited the announcement of the Treasury's quarterly refunding programme and a variety of economic data, all of which are due out later this week.

In late trading the benchmark 30-year bond was down ⅜ at 100$\frac{1}{16}$, yielding 8.112 per cent. The two-year note was also lower, down $\frac{1}{16}$ at 99$\frac{27}{32}$, yielding 5.408 per cent.

Trading throughout the day was subdued, with dealers and investors reluctant to get involved before they heard details of the refunding. Analysts expect the Treasury to announce its intention to sell about $36bn of three-year, 10-year and 30-year securities.

Just as important is the release of various economic figures scheduled for later this week. The first data will be today's announcement of first quarter gross domestic product and March new home sales.

■ JAPANESE government bonds traded lower overnight in Tokyo with the market overshadowed by fears about oversupply of fixed-interest paper and concern for the broader health of the financial system.

The benchmark 10-year Japanese government bond issue No 129 closed on a yield of 5.665 per cent, from 5.625 per cent on Friday.

Traders said that dealing was dominated by professional intermediaries, with few investors participating before public holidays which begin later this week. Trading volume on the benchmark bond was a thin Y366bn, compared with Y600-Y700bn on more active days.

Interest centred on the communique issued by ministers from the G7 countries. The statement said that this year's yen weakness had not helped to right global trade imbalances. However, while international governments may favour a stronger yen, there is no sign of central bank intervention to support the currency.

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| AUSTRALIA | | 10.000 | 10/02 | 102.1375 | +0.131 | 9.67 | 9.71 | 9.91 |
| BELGIUM | | 9.000 | 06/01 | 100.9000 | +0.200 | 8.84 | 8.77 | 8.92 |
| CANADA * | | 8.500 | 04/02 | 97.3800 | -0.750 | 8.91 | 8.70 | 8.73 |
| DENMARK | | 9.000 | 11/00 | 101.1000 | -0.020 | 8.79 | 8.80 | 8.88 |
| FRANCE | BTAN | 8.500 | 03/97 | 98.3712 | +0.113 | 8.91 | 8.79 | 9.04 |
| | OAT | 8.500 | 11/02 | 98.3900 | +0.150 | 8.72 | 8.65 | 8.72 |
| GERMANY | | 8.000 | 01/02 | 100.1900 | +0.260 | 7.96 | 7.95 | 8.04 |
| ITALY | | 12.000 | 02/02 | 98.1500 | +0.060 | 12.32† | 12.29 | 12.41 |
| JAPAN | No 119 | 4.800 | 06/99 | 93.9907 | -0.334 | 6.00 | 5.98 | 5.56 |
| | No 129 | 6.400 | 03/00 | 103.9825 | -0.143 | 5.67 | 5.64 | 5.28 |
| NETHERLANDS | | 8.250 | 02/02 | 99.5500 | +0.240 | 8.31 | 8.29 | 8.41 |
| SPAIN | | 11.300 | 01/02 | 102.2500 | -0.050 | 10.88 | 10.76 | 10.96 |
| UK GILTS | | 10.000 | 11/96 | 102-11 | +6/32 | 9.35 | 9.36 | 10.13 |
| | | 9.750 | 08/02 | 103-25 | +11/32 | 9.17 | 9.17 | 9.91 |
| | | 9.000 | 10/08 | 99-28 | +14/32 | 9.01 | 9.08 | 9.67 |
| US TREASURY * | | 7.500 | 11/01 | 99-12 | -15/32 | 7.58 | 7.42 | 7.69 |
| | | 8.000 | 11/21 | 98-26 | -22/32 | 8.10 | 7.92 | 8.02 |

London closing, *New York closing. Yields: Local market standard
† Gross (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

# Nippon Life to diversify into European currencies

By Richard Waters

FOR AN institution with Y30,000bn (£127bn) of assets, Nippon Life, Japan's largest life assurance company, has a surprisingly small presence in Europe.

Last year, it lent no more than Y25bn through its 20-person office in London. In addition, only Y50bn of the company's investments in European bonds and equities is managed from London – pin money, in Nippon Life's terms.

Yet the weight of Nippon Life, along with other Japanese life firms, is likely to be felt far more in the European capital markets in the years ahead.

"The big trend is diversification from the US to Europe," says Mr Haruaki Deguchi, newly-appointed managing director of NLI International, Nippon Life's operation in London. The desire to diversify their portfolios of foreign currencies lies behind the move, he says.

At the end of 1990, only around 18.5 per cent of Japanese life companies' foreign currency assets were denominated in European currencies – roughly the same as their investments in the Canadian dollar and the Australian dollar. But by the middle of the decade, Mr Deguchi estimates, the European share will have risen to 25 per cent.

Even with no net new investment from the life companies, that shift implies a Y1,500bn switch of money into Europe over the next three years.

Most will be managed from Japan, rather than Europe. Nippon Life manages a single, Y50bn closed-end fund from London to gain experience of European equity and bond investment, says Mr Deguchi. Tax regulations prevent it doing more: investment orders channelled through London to the company's Tokyo headquarters would be classified as investments made in the UK, and so be taxed there.

Meanwhile, lending to European corporations seems unlikely to grow rapidly. All of Nippon Life's lending, most of it for periods of 10-20 years or longer, is denominated in yen.

The currency is an obstacle – though, with the market in longer-dated swaps becoming more liquid, it is possible for the company to meet its objectives of lending fixed rate yen while enabling borrowers to raise floating-rate debt in dollars or other currencies.

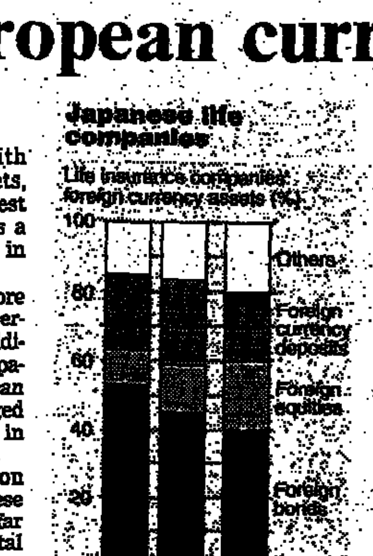
However, with the Japanese long-term prime rate remaining stubbornly high, the demand from European companies for yen loans looks likely to stay depressed. Last year, Nippon Life's lending through London – all of it booked in Tokyo – was down from Y40bn to Y20-Y25bn, and little growth is expected this year.

Any substantial growth in Nippon Life's operations in Europe is unlikely before Japan relaxes the restrictions under which most parts of the financial sector work. For life companies, those restrictions are more severe than for banks or securities firms, preventing them even from entering banking or securities business through overseas subsidiaries.

The growing prominence of Japanese life companies in Europe is in marked contrast to the trend internationally. The core of their business – lending to Japanese companies – shrank during the 1980s as they increased their foreign currency investments, chasing in particular the higher yields on US dollar investments. Yen-denominated loans fell from 60 per cent of assets at the start of the 1980s to nearly half that at the end.

That trend has reversed, in part due to the higher yields available on domestic yen loans. Now, with a question mark over the ability of Japanese banks to service loan demand inside Japan – and with the banks themselves looking to tap life companies for subordinated debt – the life companies are expected to direct less of their investment internationally.

Japanese life companies




Source: Nippon Life

# Two Eurobond offerings launched in dollar sector

By Tracy Corrigan

TWO NEW Eurobond offerings were launched in the dollar sector, which is faring better than most in generally lacklustre trading conditions. Demand in most bond markets is at a low ebb: only the sterling sector, buoyed by bullishness on the currency, is attracting any sizeable buying interest.

The Export-Import Bank of Japan launched a $500m 10-year deal, a large transaction for a Japanese government-guaranteed borrower. The 8 per cent bonds, launched by IBJ International, were priced to yield 29 basis points above the 10-year Treasury, a basis point tighter than last week's $200m deal for Japan Finance Corporation for Municipal Enterprises. The bonds illicited few sales in Europe, but met stronger demand in the Far East, dealers said. The large size of the deal means it will take some time to place, but should ultimately be more liquid than most Japanese government-guaranteed names.

The spread was unchanged at the end of trading at 29 basis points, against a directionless US Treasury market.

However, market swaps rates are very tight, which is likely to limit further supply of paper.

A $200m two-year deal for the Council of Europe, arranged by UBS, met demand from specific pockets of investors. Money market funds, which are currently extending along the yield curve a little, were active buyers, and central banks also showed some interest. In addition, some European retail investors bought paper, apparently viewing the bonds as a currency play which offered higher yields than bank deposits.

The bonds, priced to yield 26 basis points above the two-year Treasury, were attractively priced relative to the swap market, dealers said.

## INTERNATIONAL BONDS

Meanwhile, the European Investment Bank is expected to take advantage of attractive conditions in the sterling bond market to launch a £200m issue of 10-year Eurobonds. Yesterday, the Bank had received proposals from around half a dozen banks and was considering them, before awarding a mandate to launch the offering today. The EIB will use a deferred rate setting, which allows the borrower to fix the spread over gilts on launch, but to lock in the gilt yield at a later date. The structure is particularly suitable for the EIB, because it onlends funds raised in the capital markets.

With most other markets in dismal shape, activity could well be concentrated in the sterling sector. Last week's £500m five-year deal for Hanson has held in well, and is currently trading at a spread of 77 basis points above the five-year gilt yield, on the offered side, three basis points inside its launch spread.

Elsewhere, Bear Stearns is marketing a $100m Eurobond for the National Development Bank of Brazil (BNDES), which runs the country's privatisation programme. The deal is expected to be officially launched later this week.

# Abbey National Treasury Services wins satellite deal

By Danny Green

ABBEY National Treasury Services has won a £197m contract to provide lease finance for three communications satellites to Inmarsat, the satellite communications services supplier.

Credit facilities for the lease finance have been arranged by the Luxembourg-based European Investment Bank and a group of seven European credit banks under the label Club of European Long Term Credit Institutions.

The deal brings the value of Abbey's leasing transactions conducted in the last 18 months to £1.9bn. Mr Robin Garratt, the head of leasing, said yesterday that the bank's high level of taxable profits and its strong balance sheet made leasing viable.

# Hammerson ratings cut by Moody's

HAMMERSON, the UK property group, has had its credit ratings cut by Moody's Investors Service, the US credit rating agency, and may yet face another downgrading, writes Simon London.

Moody's has cut the long-term credit rating from A2 to A3, a rating which applies to a recent £100m Eurosterling bond issue. The short-term credit rating for commercial paper is lowered from Prime-1 to Prime-2.

# MARKET STATISTICS

## FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on April 27

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.



## RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| *British Funds* | 58 | 6 | 14 |
| Other Fixed Interest | 14 | 1 | 2 |
| Commercial, Industrial | 550 | 164 | 745 |
| Financial & Property | 224 | 94 | 474 |
| Oil & Gas | 27 | 15 | 46 |
| *Plantations* | 2 | 0 | 7 |
| Mines | 16 | 45 | 86 |
| Others | 28 | 59 | 58 |
| Totals | 919 | 384 | 1,432 |

## LONDON RECENT ISSUES

### EQUITIES

| Issue Price p | Amount Paid up | Latest Renunc. Date | 1992 High | 1992 Low | Stock | Closing Price p | +or - | Net Div | Times Cov'd | Gross Yield | P/E Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 100 | F.P. | – | 89 | 87 | Amicable Smaller | 89 | +1 | R3.1 | – | 4.6 | – |
| – | F.P. | – | 28 | 27 | Do. Warrants | 28 | | – | – | – | – |
| 106 | F.P. | – | 120 | 95 | Avonside Group | 119 | –1 | L5.8 | 2.1 | 6.5 | 9.6 |
| [illegible] | | | | | | | | | | | |

### FIXED INTEREST STOCKS

[illegible]

### RIGHTS OFFERS

[illegible]

| 40 | Nil | 27/5 | 1¼pm | ¼pm | Plantsbrook | ¼pm | |
|---|---|---|---|---|---|---|---|

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. ‡ Placing price. †† Reintroduction. ¶ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

## TRADITIONAL OPTIONS

- First Dealings April 13
- Last Dealings May 1
- Last Declarations July 23
- For settlement August 3

*3-month call rate indications are shown on this page.*

Calls in **Airbreak Leis., Aegis, APV, Aran Energy, Auto. Security, Brent Walker Pref., Berisford Intl., BET, BTR Warrants '96, Burton, Cookson, Corporate Services, Era, E.W. Fact, Greycoat, Lucas Warrants, Medeva, MTM, J. Mowlem, Oliver Res., Owners Abroad, Peel, Premier Cons., Ratners, Royal Insce., Saatchi & Saatchi, Taylor Woodrow and Whitecroft. Put and call in Tarmac.**

## LIFFE EQUITY OPTIONS

[illegible]

| Option | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Brit. Aero (*353) | 330 | 32 | 45 | 51 | 5½ | 13 | 19 |
| | 360 | 12 | 26 | 34 | 18 | 26 | 35 |
| | 384 | 5 | – | – | 36 | – | – |

Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price. † Long dated expiry mths. Premiums shown are based on middle prices

## TRADITIONAL OPTION 3-month call rates

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| ■ INDUSTRIALS | p | Charter Cons. | 37 | Ladbroke | 14 | Sears | 9 | ■ OILS | |
| Allied-Lyons | 49 | Comm Union | 34 | Legal & Gen | 22 | SmKl Bchm A | 60 | Aviva Pet | 25 |
| Amstrad | 6½ | Courtaulds | 39 | Lex Service | 18 | TI | 48 | *BP* | 20 |
| Astec (BSR) | 3 | Eurotunnel | 29 | Lloyds Bank | 32 | TSB | 11½ | Burmah Castrol | 44 |
| BAT Inds | 10 | FKI | 6 | Lonhro | 12 | Tesco | 22 | Conroy Pet | 7 |
| BOC | 53 | FNFC | 7 | Lucas Inds | 12½ | Thorn EMI | 63 | *Gaelic Res* | ½ |
| BTR | 32 | Forte | 21 | Marks Spencer | 27 | T & N | 11½ | Premier Cons | 2½ |
| Barclays | 26 | GKN | 30 | Midland Bank | 30 | Unilever | 70 | Shell | 33 |
| Blue Circle | 25 | Gen Accident | 38 | NatWest Bank | 26 | Vickers | 13 | Tuskar Res | ½ |
| Boots | 39 | GEC | 15 | P & O Dfd | 37 | Wellcome | 80 | ■ MINES | |
| Bowater | 60 | Glaxo | 58 | Racal Elect | 5 | ■ PROPERTY | | RTZ | 47 |
| Brit Aerospace | 26 | Grand Met | 35 | RHM | 18 | Brit Land | 19 | | |
| British Steel | 6½ | GRE | 12 | Rank Org | 55 | Land Sec. | 34 | | |
| Brit Telecom | 24 | Hanson | 18 | Ratners | 2½ | MEPC | 26 | | |
| Cadburys | 33 | ICI | 95 | Reed Intl | 44 | Mountleigh | 1½ | | |

# FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, April 27, 1992. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

| COUNTRY | | £ STG | US $ | D-MARK | YEN (X 100) |
|---|---|---|---|---|---|
| Afghanistan | (Afghani) | 99.25 | 55.774 | 33.7872 | 41.9218 |
| Albania | (Lek) | 88.8750 | 49.9438 | 30.2553 | 37.5395 |
| Algeria | (Dinar) | 39.35 | 22.1129 | 13.3957 | 16.6209 |
| Andorra | (Fr Fr) | 9.9075 | 5.5675 | 3.3727 | 4.1847 |
| | (Sp Peseta) | 184.00 | 103.4 | 62.6382 | 77.7191 |
| Angola | (Kwanza) | 978.05 | 549.621 | 332.953 | 413.115 |
| Antigua | (E Carr $) | 4.7995 | 2.6971 | 1.6338 | 2.0272 |
| Argentina | (Peso) | 1.7606 | 0.9893 | 0.5993 | 0.7436 |
| Aruba | (Florin) | 3.1815 | 1.7878 | 1.083 | 1.3438 |
| Australia | (Aus $) | 2.3535 | 1.3225 | 0.8011 | 0.994 |
| Austria | (Schilling) | 20.685 | 11.624 | 7.0417 | 8.737 |
| Azores | (Port Escudo) | 249.10 | 139.983 | 84.8 | 105.216 |
| [illegible] | | | | | |
| El Salvador | (Colon) | 14.2346 | 7.9992 | 4.8458 | 6.0125 |
| Equat'l Guinea | (CFA Fr) | 495.375 | 278.379 | 168.638 | 209.24 |
| *Ethiopia* | *(Ethiopian Birr)* | 3.6455 | 2.0486 | 1.241 | 1.5398 |
| Falkland Is | (Falk £) | 1.00 | 0.5619 | 0.3404 | 0.4223 |
| Faroe Is | (Danish Kroner) | 11.3575 | 6.3824 | 3.8663 | 4.7972 |
| Fiji Is | (Fiji $) | 2.6770 | 1.5043 | 0.9113 | 1.1307 |
| Finland | (Markka) | 7.9922 | 4.4912 | 2.7207 | 3.3757 |
| *France* | *(Fr)* | 9.9075 | 5.5675 | 3.3727 | 4.1847 |
| Fr. Cty/Africa | (CFA Fr) | 495.375 | 278.379 | 168.638 | 209.24 |
| Fr. Guiana | (Local Fr) | 9.9075 | 5.5675 | 3.3727 | 4.1847 |
| Fr. Pacific Is | (CFP Fr) | 178.00 | 100.028 | 60.5957 | 75.1847 |
| Gabon | (CFA Fr) | 495.375 | 278.379 | 168.638 | 209.24 |
| Gambia | (Dalasi) | 16.0065 | 8.9949 | 5.449 | 6.7609 |
| Germany | (D-Mark) | 2.9375 | 1.6507 | 1 | 1.2407 |

| COUNTRY | | £ STG | US $ | D-MARK | YEN (X 100) |
|---|---|---|---|---|---|
| Ghana | (Cedi) | 720.39 | 404.827 | 245.239 | 304.283 |
| Gibraltar | (Gib £) | 1.00 | 0.5619 | 0.3404 | 0.4223 |
| Greece | (Drachma) | 343.115 | 192.815 | 116.805 | 144.927 |
| Greenland | (Danish Krone) | 11.3575 | 6.3824 | 3.8663 | 4.7972 |
| Grenada | (E Carr $) | 4.7995 | 2.6971 | 1.6338 | 2.0272 |
| Guadaloupe | (Local Fr) | 9.9075 | 5.5675 | 3.3727 | 4.1847 |
| Guam | (US $) | 1.7795 | 1 | 0.6057 | 0.7516 |
| Guatemala | (Quetzal) | 9.1381 | 5.1352 | 3.1108 | 3.8598 |
| Guinea | (Fr) | 1443.85 | 811.38 | 491.523 | 609.863 |
| Guinea-Bissau | (Peso) | 8887.50 | 4994.38 | 3025.53 | 3753.96 |
| Guyana | (Guyanese $) | 220.95 | 124.164 | 75.217 | 93.3262 |
| Haiti | (Gourde) | 8.8875 | 5 | 3.0256 | 3.7539 |
| [illegible] | | | | | |
| Montserrat | (E Carr $) | 4.7995 | 2.6971 | 1.6338 | 2.0272 |
| Morocco | (Dirham) | 15.4792 | 8.6986 | 5.2695 | 6.5382 |
| Mozambique | (Metical) | 4017.70 | 2257.77 | 1367.73 | 1697.02 |
| Namibia | (S A Rand) | 5.1225 | 2.8786 | 1.7438 | 2.1636 |
| Nauru Is | (Australian $) | 2.3535 | 1.3225 | 0.8011 | 0.994 |
| Nepal | (Nepalese Rupee) | 82.8850 | 46.5776 | 28.2161 | 35.0095 |
| Netherlands | (Guilder) | 3.3050 | 1.8572 | 1.1251 | 1.3959 |
| N'nd Antilles | (A/Guilder) | 3.1815 | 1.7878 | 1.083 | 1.3438 |
| New Zealand | (NZ $) | 3.3220 | 1.8668 | 1.1308 | 1.4031 |
| Nicaragua | (Gold Cordoba) | 8.8875 | 4.9943 | 3.0255 | 3.7539 |
| Niger Rep | (CFA Fr) | 495.375 | 278.379 | 168.638 | 209.24 |
| Nigeria | (Naira) | 33.05v | 18.45 | 11.251 | 13.9598 |
| Norway | (Nor. Krone) | 11.4725 | 6.447 | 3.9055 | 4.8458 |
| Oman | (Rial Omani) | 0.6822 | 0.3833 | 0.2322 | 0.2881 |

| COUNTRY | | £ STG | US $ | D-MARK | YEN (X 100) |
|---|---|---|---|---|---|
| Pakistan | (Pak. Rupee) | 44.2330 | 24.8569 | 15.058 | 18.6834 |
| Panama | (Balboa) | 1.7795 | 1 | 0.6057 | 0.7516 |
| Papua New Guinea | (Kina) | 1.7135 | 0.9629 | 0.5833 | 0.7237 |
| Paraguay | (Guarani) | 2577.67 | 1448.54 | 877.505 | 1088.77 |
| Peru | (New Sol) | 1.84 | 1.0339 | 0.6263 | 0.7771 |
| Philippines | (Peso) | 44.1975 | 24.837 | 15.0459 | 18.6684 |
| Pitcairn Is | (£ Sterling) | 1.00 | 0.5619 | 0.3404 | 0.4223 |
| | (NZ $) | 3.3220 | 1.8668 | 1.1308 | 1.4031 |
| Poland | (Zloty) | 24272.00 | 13639.8 | 8262.81 | 10252.2 |
| Portugal | (Escudo) | 249.10 | 139.983 | 84.8 | 105.216 |
| Puerto Rico | (US $) | 1.7795 | 1 | 0.6057 | 0.7516 |
| Qatar | (Riyal) | 6.4465 | 3.6226 | 2.1945 | 2.7229 |
| [illegible] | | | | | |
| | | 174.40m | 98.005 | 59.3702 | 73.6642 |
| Vanuatu | (Vatu) | 199.15 | 111.913 | 67.7957 | 84.1182 |
| Vatican | (Lira) | 2207.50 | 1240.52 | 751.489 | 932.418 |
| Venezuela | (Bolivar) | 107.5974 | 60.4649 | 36.6289 | 45.4476 |
| Vietnam | (Dong) | 20121.30 | 11307.3 | 6849.8 | 8498.97 |
| Virgin Is-British | (US $) | 1.7795 | 1 | 0.6057 | 0.7516 |
| Virgin Is-US | (US $) | 1.7795 | 1 | 0.6057 | 0.7516 |
| *Western Samoa* | *(Tala)* | 4.3225 | 2.429 | 1.4714 | 1.8257 |
| Yemen (Rep of) | (Rial) | 21.35 | 11.9977 | 7.268 | 9.0179 |
| Yemen (Rep of) | (Dinar) | 0.8265 | 0.4644 | 0.2813 | 0.3491 |
| Yugoslavia | (Dinar) | 582.9204 | 327.575 | 198.441 | 246.218 |
| Zaire Rep | (Zaire) | 302290.00 | 169874 | 102907 | 127683 |
| Zambia | (Kwacha) | 241.75 | 135.853 | 82.2978 | 102.112 |
| Zimbabwe | ($) | 9.0210 | 5.0694 | 3.0709 | 3.8103 |

Special Drawing Rights April 24, 1992 United Kingdom £0.773023 United States $1.37057 Germany D Mark 2.26267 Japan Yen184.479
European Currency Unit Rates April 27, 1992 United Kingdom £0.698952 United States $1.24169 Germany D Mark 2.05375 Japan Yen165.207

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate;
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Monday, April 27, 1992



## CONTRACTS & TENDERS

### International Public Tendering

The Director of the Childrens Hospital in Košice, CSFR, issues an international tender for design, realisation and financing of the construction of "Childrens Hospital, Košice".

Interested companies which must be experienced in the construction of health institutions, can obtain tender conditions and the list of references at the Directors Secretariat in Childrens Hospital Košice from 11th till 15th May 1992 latest, against payment of US$1000.

Address: Detská nemocnica
Moyzesova 9
041 88 Košice
Czechoslovakia

Telephone: 00 42 95 218 63
Fax: 00 42 95 275

## LEGAL NOTICE

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**QUALTEX PROPERTIES LIMITED**
Qualtex Properties Limited Registered Office: 64 - 69 Holywell Lane, London EC2A 3PQ
NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at *Cork Gully, Ground Floor, Shelley house*, 3 noble Street, London EC2V 7DQ on 11 May 1992 at 10.00 am for the purpose of having laid before it a copy of the report prepared by the administrative receivers, under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors by or under the Act. Creditors are only entitled to vote if:
(a) they have delivered to me at the following address: Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ no later than noon on 8 May 1992, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986, and
(b) there has been lodged with me any proxy which the creditor intends to be used on his or her behalf.
Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned, photocopies (including fax copies) are not acceptable.
Signed C J Hughes Joint Administrative Receiver Dated: 24 April 1992

Company No: 1977884
**ROSCOE INDUSTRIES LIMITED**
Registered Office: 67 Westow Avenue, Upper Norwood, London SE19 3RW
NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at *Cork Gully, Ground Floor, Shelley House, 3 Nobel* Street, London EC2V 7DQ on 11 May 1992 at 10.15 am for the puropose of having laid before it a copy of the report prpeared by the administative receivers, under Section 48 of the *said Act*. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors by or under the Act.
Creditors are only entitled to vote if:
(a) they have delivered to me at the following address: Cork Gulley, Shelley House, 3 Noble Street, London EC2V 7DQ no later than noon on 8 May 1992, written details to the *debts they claim to be due to them from the* company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986, and
(b) there has been lodged with me any proxy *which the creditor intends to be used on his or her behalf.*
Please note that the original proxy signed by or on behalf of the creditor must be lodged at the adress mentioned, photocopies (including fax copies) are not acceptable.
Signed C J Hughes Joint Administrative Receiv er Dated: 24 April 1992

*Company No: 1595512*
**LIGHT 'N' EASY (CONSUMER PRODUCTS) LTD**
Registered Office: 67 Westow Avenue, Upper Norwood, London SE19 3RW.
NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insovency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at Cork *Gully, Ground Floor, Shelley house*, 3 Noble Street, London EC2V 7DQ on 11 May 1992 at 10.30 am for the purpose of having laid before it a copy of the report prepared by the administrative recivers, under Section 48 of the *said Act*. The meeting may, if it thinks fit, estavlish a committee to exercise the functions conferred on creditors by or under the Act. Creditors are only entitled to vote if:
(a) they have delivered to me at the following address: Cork Gully, Shelley House, 3 Nobel Street, London EC2V 7DQ no later than noon on 8 May 1992, written details of the *debts they claim to be due to them from the* company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986, and
(b) there has been lodged with me any proxy which the creditor intends to be used on his or her behalf. Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned, photocopies (including fax copies) are not acceptable.
Signed: C J Hughes Joint Administrative Receiver Dated: 24 April 1992

# Blenheim advances 51% to £27.8m

By Jane Fuller

BLENHEIM GROUP, the organiser of trade exhibitions and conferences, increased pre-tax profits by 51 per cent, from £18.4m to £27.8m, in the six months to February 29.

The share price gained 23p to close at a new high of 598p yesterday. The shares were trading at less than 200p little more than a year ago.

Mr Neville Buch, chairman, said the group had a diverse portfolio of exhibitions in each of the main countries in which it operated.

Turnover grew by 45 per cent to £103m (£71m). About half of it lay in France, while the UK and the US accounted for nearly 20 per cent each. German language venues accounted for most of the rest.

Even in the recession-hit UK sales had increased by more than 16 per cent. Mr Buch said there had been a drift to quality – trade customers had continued to attend what they regarded as the definitive shows in their sectors.

So far this year, the total number of visitors at all the group's events had increased to 112,201 (381,080). The average per show had gone up to 14,216 (13,141).

Acquisitions accounted for about 10 per cent of turnover and profit. Since 1987, £311m has been spent on building up what the group sees as brands in the trade exhibition market and on overseas expansion. Mr Buch said the rate of company purchases had moderated.

"We are now in a phase of running the business better, making selective acquisitions, deriving full benefits from economies of scale and our databases, and replicating events in different markets."

Goodwill write-offs left the group with negative net worth of nearly £75m at the half-way stage, about £15m down on the year-end. Net debt grew from just under £24m to £12.1m in the six months.

Neville Buch: there has been a drift to quality

Mr Christopher Crowcroft, finance director, said acquisitions totalling £14m and variations in the level of advance payments from customers accounted for this. The underlying trend was downwards.

Operating profit of £30.7m (£20.5m) covered interest payments nearly 10 times.

Mr Crowcroft said the group was working on further improvements to operating margin by cutting its promotion costs and using its databases to refine the targeting of customers.

The change of year-end to December would even out the seasonal impact on the business. Under the old period, to August 31, both the autumn and January-February high seasons for exhibitions fell in the first half, giving it about two thirds of the profit. Under the new arrangement, each half would have one of the peaks.

Earnings per share advanced by 30 per cent to 20.5p (15.8p). The interim dividend goes up from 2.33p to 2.7p.

See Lex

# Wellcome may seek listing in New York

By Maggie Urry

WELLCOME, the drugs group, is understood to be planning a New York Stock Exchange listing as part of the sale by the Wellcome Trust of a large part of its shareholding.

Wellcome Trust, the medical charity, is reducing its stake from 73.6 per cent to a minimum of 25 per cent through a sale this summer. Later this week it is expected to get High Court clearance to take its stake below 50 per cent.

It is thought that Robert Fleming, the UK merchant bank which is the global co-ordinator for the sale, believes that the key to the success of the sale is getting US institutional investors to buy.

Without strong demand from the US it could prove difficult to sell the full 48.6 per cent available at near the market price. The final amount to be sold will not be determined until close to the price fixing. At yesterday's close of £10.15, down 17p, the 48.6 per cent is worth about £4.2bn.

The issue is likely to be organised in a similar way to a US-style initial public offering. The same structure will be used throughout the world.

Although Wellcome's roots are in the US and nearly half its profits are made there, it is not well known on Wall Street.

Less than 2 per cent of the shares are held internationally, whereas about a quarter of Glaxo's are US held. While some 40 US analysts publish research on Glaxo, only six US houses write about Wellcome, and of these four have London-based analysts researching the company.

# IRH shares suspended

By Peggy Hollinger

TRADING in International Resort Holdings, the golf course and property group, was suspended at 33p yesterday as the company announced that its net asset value had "seriously diminished".

IRH, which warned in January that the profits outlook of the main development division was uncertain, said the group had incurred losses for the year to the end of March 1992.

Trading in the USM-quoted group will remain suspended pending clarification of its financial position.

It is believed that the net asset value of IRH has fallen to less than half the £5.6m called up share capital, prompting the Stock Exchange announcement. At the end of March 1991 IRH had debt of about £19m and assets valued at £16m.

The group has been in talks with its banker, Gamelstaden, which also holds 15 per cent of the equity. If a refinancing based on a debt for equity swap or a rights issue cannot be agreed, then IRH faces administration or receivership.

An extraordinary meeting is to be called to inform shareholders of the options facing the group. An announcement is expected by the week-end.

# Dares cuts loss to £28.5m

DARES ESTATES, the property company which only published its interim results having secured agreement with its banks a bare four weeks before the December 31 year-end, has reported pre-tax losses of £28.5m for the year, shaving £1.96m off last time's £30.5m.

Its banks gave Dares until the end of 1992 to match its interest costs with its rental income, but, in the year under review, the former rose to £12.2m (£10.5m) and the latter declined to £7.6m (£10.9m).

Losses on ordinary activities grew to £10.8m (£3.25m) mainly because of the widening gap between rents and interest.

Knocking the pre-tax figure further were exceptional charges of £17.8m (£27.2m).

As a result of its losses Dares has again passed the preference dividend. Losses per share were 15.76p (19.82p).

Post-tax losses were £27.4m (£34.9m). Net assets at the year-end were down at £7.41m (£40.4m), less than half the called-up share capital – a position that the Companies Act 1985 demands should trigger an extraordinary meeting.

During the year the disposal of properties accrued £79.9m – borrowings were reduced to £95.3m (£156.6m).

# Hanson plans disposals to cut debt

By Roland Rudd

HANSON, the Anglo-American conglomerate, is to make a series of disposals to reduce net borrowings which have risen to £1.5bn following last year's acquisition of Beazer, the building and aggregates group.

Mr Derek Bonham, newly-appointed chief executive, yesterday said that he wanted the group to move back into a net cash position as soon as possible.

"There is a distinct possibility that there will be a series of disposals of some of our smaller businesses," said Mr Bonham.

Mr Bonham said that while the current debt position posed no immediate problem he preferred to adopt a cautious response which argued for net cash.

Hanson's overall debt is about £9.5bn against cash of £8bn. Borrowings increased after Hanson took over Beazer's £1.2bn debt and off-balance sheet debt which Mr Bonham has brought back on to Hanson's balance sheet.

The move to reduce borrowings is likely to heighten speculation that the group is further preparing to make a big acquisition.

However, Mr Bonham said the conglomerate was more likely to look for "distressed sellers" or embark on what he called "a bit of cherry picking" in buying divisions from other big companies.

He explained that Hanson planned to concentrate on the management of its six or seven businesses, including Peabody Coal in the US and Imperial Tobacco in the UK, which produced about 75 per cent of its £1.3bn pre-tax profits for the year ended September.

Asked whether the group was keen to buy a UK business in order to help with its advance corporation tax problems, Mr Bonham said: "That is to put the cart before the horse. Hanson must be run on commercial grounds first. If tax benefits then flow from a particular situation so much the better."

# Better second half helps limit fall at Moss Bros to £1.32m

By Angus Foster

MOSS BROS, the menswear retailer and hire chain, yesterday announced slightly better-than-expected profits and said improved margins and cost controls helped it weather recession in the high street.

Pre-tax profits fell to £1.32m (£2.39m) in the year to January 25. This followed a poor first-half performance when interim profits fell from £1.1m to £102,000.

Mr Rowland Gee, managing director, said it was still too early to predict recovery in menswear retailing.

Turnover for the 109-store group fell to £51.8m (£54.8m). Cecil Gee, which mainly trades in London, was worst affected and saw a 10 per cent fall in sales. But London was now recovering more quickly than other regions, Mr Gee said.

Suit Co, spread throughout the UK and therefore better insulated from recession in the south-east, lifted turnover slightly. Its estimated share of the UK suit market grew from 3.2 to 5.8 per cent.

The hire division increased its market share from 25 per cent to 35 per cent with last year's purchase of Dormie from Sears Menswear for £775,000.

Gross profits increased slightly to £24.6m (£24.5m) due to better buying and stock control, and despite last April's 2.5 per cent VAT rise. This cost the company about £500,000 because the increase was not fully passed on to customers.

There was a £1.5m prior year tax credit from reduced provisions for capital gains tax on the 1988 sale of its Covent Garden shop.

Earnings fell to 5.19p (9.43p) per share before the tax credit, but rose to 14.18p if it is included.

The directors are recommending a maintained final dividend of 3.5p, to make an unchanged total of 5p.

The shares gained 4p to 118p.

**● COMMENT**

Moss Bros' evidently stronger second half augurs well for the coming year. But as Mr Gee points out, predicting the timing of recovery is tricky because of distorting features last year, such as the VAT rise and an earlier Easter. Even if confidence returns, consumers may prefer to buy new kitchens before new suits. Yet most of the rental reversions are out of the way, and the VAT losses will not have to be repeated. Forecast profits of £1.6m put the shares on a multiple of about 19, in line with their sector. Given the company's affinity for the steady rather than the spectacular, the rating looks about right.

# French Connection bank deal

By Jane Fuller

FRENCH Connection Group, the USM-quoted fashion manufacturer and retailer, has agreed new bank facilities after its founder added a further £2m to his loans to the company.

Mr Stephen Marks, who owns about 70 per cent of the equity, has now lent the company a total of £3.6m.

The company has been in discussions with its bankers, with Barclays as the agent bank, since last year.

During 1991 it dismissed its chief executive and its finance director and incurred a pre-tax loss of nearly £5m on turnover of £23.3m (£28.7m) in the first half.

Mr Michael Shen, former chief executive, has sued for wrongful dismissal.

Latest figure for net debt was on July 31, when it stood at £5.5m, or 84 per cent of shareholders' funds. With full-year figures to be announced next month, the company would give no further balance sheet details yesterday.

The business is being reviewed by a new management team headed by Mr George Wardale, former chief executive of Highland Spring, the bottled water company.

His appointment and that of Mr John Ellis, formerly of George Wimpey, the builder, were also announced. Mr Marks continues as chief executive.

Mr Wardale led a turnround in the fortunes of Highland Spring, which he joined from Lonrho in 1986. He said: "I have chosen this company to spend the next few years of my life and I would not have done so unless I had thought that it was not only a decent company, but also that the deal was doable."

He said the core parts of the business were French Connection wholesale and retail, and the Nicole Farhi shops. The Bukta subsidiary was not regarded as core.

## DIVIDENDS ANNOUNCED

| | | Current payment | Date of payment | Corres-ponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|
| Assoc Brit Foods | int | 8.5 | Sept 1 | 8.5 | - | 16.7‡‡ |
| Blenheim | int | 2.7† | July 20 | 2.33* | - | 7.833* |
| Dares Estates | fin | nil | - | nil | nil | 0.25 |
| How | fin | 1.5† | July 1 | 2.25 | 2.5 | 3.6 |
| Irish Life | fin | 5.44♣ | - | - | 5.44 | - |
| Jupiter Tyndall | fin | 3 | - | - | 5‡ | - |
| Lowland Inv | int | 3 | June 19 | 2.75 | - | 8.1 |
| Lyles (S) | int | 1.55 | June 10 | 1.5 | - | 4.45 |
| Molynx | fin | 2.7† | July 1 | 2.5 | 4 | 3.75 |
| Moss Bros | fin | 3.5 | June 26 | 3.5 | 5 | 5 |
| Serif Cowells § | fin | nil | - | 0.5 | nil | 2 |
| Smith (J) Ests | fin | 2.5 | July 13 | 2.2 | 3.75 | 3.3 |
| Toye | fin | 8 | July 1 | 8 | 8 | 8 |
| Walker (JO) | fin | nil | - | 2 | nil | 2 |
| Wensum § | fin | 2.35 | July 1 | 2.35 | 3.5 | 3.5 |

Dividends shown pence per share net except where otherwise stated. *Adjusted for scrip issue. †On increased capital. §USM stock. ♣Irish pence. ‡For 10 months. ‡‡For 18 months.

## COMPANY NEWS: UK

# Littlewoods scores 2% rise to £97m

By John Thornhill

LITTLEWOODS, the retailing and football pools chain owned by the Moores family, last year succeeded in shrugging off the worst effects of the recession by reporting a 2 per cent improvement in pre-tax profits.

But the company sharply deflated repeated speculation that it might seek a public listing. "The family very much wish to retain their private company status," said Mr Leonard van Geest, chairman.

Mr Desmond Pitcher, chief executive, said it was too early to tell what effect the government's plans to create a national lottery might have upon Littlewoods' pools business.

But he said some "absurd" figures had been bandied about for how much it might raise and pointed out that Littlewoods already contributed £400m annually to various sporting and arts foundations.

In 1991 Littlewoods' pre-tax profits advanced from £94.8m to £97m as turnover grew strongly from £2.37bn to £2.59bn.

The company's star performer was its home shopping division, which lifted profits from £53.5m to £56m as it expanded its agency network by 200,000 to more than 3m.

Littlewoods had been seeking to sell the home shopping business to raise funds for the expansion of its other retail interests but decided to take it off the market earlier this month after it received no suitable offers.

The company's 124 chain stores increased profits from £29.4m to £30.3m. Its chain of 117 Index catalogue stores is expected to be profitable in the current year after sustaining losses for several years. In 1991 Index lost £3.7m, a reduction on the £6.7m deficit recorded in the previous year.

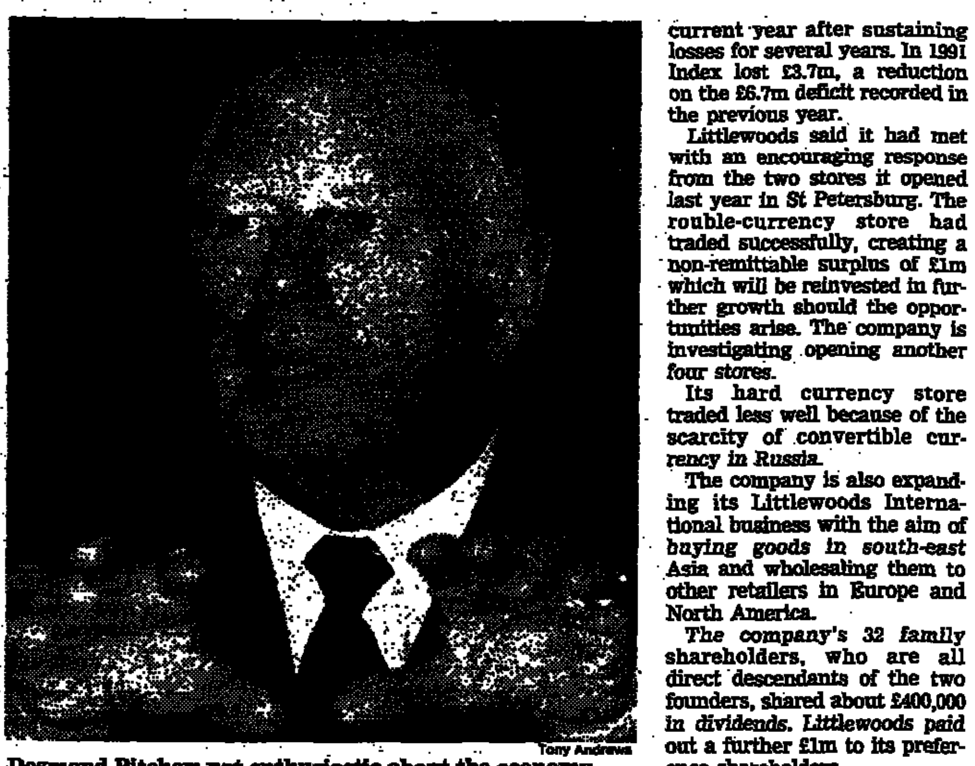
Littlewoods said it had met with an encouraging response from the two stores it opened last year in St Petersburg. The rouble-currency store had traded successfully, creating a non-remittable surplus of £1m which will be reinvested in further growth should the opportunities arise. The company is investigating opening another four stores.

Its hard currency store traded less well because of the scarcity of convertible currency in Russia.

The company is also expanding its Littlewoods International business with the aim of buying goods in south-east Asia and wholesaling them to other retailers in Europe and North America.

The company's 32 family shareholders, who are all direct descendants of the two founders, shared about £400,000 in dividends. Littlewoods paid out a further £1m to its preference shareholders.

Mr Pitcher said he was not a great enthusiast about the state of the economy. The current year had started well but March had been "awful" because of the uncertainty ahead of the election.



Tony Andrews

Desmond Pitcher: not enthusiastic about the economy

# ICI loses fight over US patent

By Paul Abrahams

IMPERIAL Chemical Industries, the UK industrial group, has lost a battle to protect the US patent on Nolvadex, its best-selling breast cancer drug.

The patent for the drug has been successfully challenged by Barr Laboratories, an independent New York-based generic manufacturer, which said yesterday it expected to market a generic equivalent within a year.

Normally, sales of previously patented products fall by 40 per cent in two years when faced by generic competition.

Although ICI refuses to give details of product sales in specific geographical areas, analysts believe about half of Nolvadex's annual sales of £248m are in the US.

"ICI could lose about £20m from its bottom line from this decision," warned Mr Charles Lambert, a chemicals analyst at Smith New Court.

ICI said it planned to appeal against the ruling made at the southern district court of New York.

It is alleged to have submitted incomplete data when it filed patents in the US.

# Jupiter announces two disposals as profits hit £1.17m

By Philip Coggan, Personal Finance Editor

JUPITER TYNDALL, the financial services group, announced pre-tax profits of £1.17m for the 10 months to December 31 and announced the sale of two trust companies to Westpac Banking Corporation (Jersey).

Consideration for St Helier Trust, which was engaged in trust and fund administration in Jersey, was £5.55m, plus repayment of £115,000 of inter-company debt.

Tyndall Bank and Trust (Bahamas) will be sold for just over £1m, if the Central Bank of the Bahamas approves the deal.

Jupiter Tyndall was assembled in the course of 1991. First, Jupiter Tarbutt Merlin, the privately-owned fund management group, reversed into Vantage Securities, an investment trust. Then Jupiter Tarbutt took over Tyndall Holdings, and the combined company was renamed Jupiter Tyndall.

As a consequence of these changes, the company has not produced comparable figures for 1990. The 10 month results consolidate the results of Jupiter Tarbutt for nine months and those of Tyndall for the last three months of the year.

Net turnover for the 10 months was £5.01m. The pre-tax profit of £1.17m consisted of operating profits of £1.02m and other income of £150,000. Earnings per share were 4.4p. The final dividend is 3p, giving a total of 5p.

The company said the figures did not reflect the underlying trading performance. Profits were "significantly lower" than they would have been if Jupiter Tarbutt's profits had been consolidated for the full 12 months and if the expenses of the merger had not occurred. The profits of the trust companies (about £115,000 for the eight months to December 31) were excluded.

Mr John Duffield, chairman, said that "the full effects of cost savings and the increased business flow which will accrue to the combined group are now starting to show through in improved operating performance and the enlarged group is trading in line with the board's expectations."

# Iveco Ford Truck £39m in the red

By Kevin Done, Motor Industry Correspondent

IVECO FORD TRUCK, the UK truck maker, plunged to a net loss of £38.6m last year from a deficit of £19.9m in 1990 and a profit of £9.6m in 1989.

In the past two years the UK truck industry has suffered the steepest decline into recession in the post-war period.

Iveco Ford Truck is jointly owned by Iveco, the commercial vehicles subsidiary of Fiat of Italy, and Ford of the US, with Iveco holding management control.

Last year's loss was exacerbated by redundancy costs as the workforce was cut by some 30 per cent. The loss before special items, such as restructuring costs, totalled £27.9m.

Truck production at Iveco Ford's Langley, Berkshire, plant fell by 32.7 per cent last year to 5,826, the lowest point for more than 10 years. The plant was on short-time working for much of the period.

The Iveco group, which includes Seddon Atkinson, saw a 39.9 per cent drop in UK new truck registrations last year to 7,555 in an overall UK truck market which shrank by 33.7 per cent to 32,184.

# Irish Life below forecast in dull equity markets

By Tim Coone in Dublin

IRISH LIFE, the Republic's largest insurer in the life and pensions market and its biggest fund manager, reported embedded value for 1991 of I£540m (£490m).

This is I£5m less than forecast in the prospectus at flotation last July, reflecting the general fall in equity and property markets since the group was valued at March 31 last year.

Embedded value – a financial yardstick increasingly used by life assurance companies to more accurately reflect their market worth and earnings – measures the net value of present and future surpluses expected to be generated on current business on the company's books. In Irish Life's case it includes income generated from both its investment and insurance arms.

These first full results since privatisation showed pre-tax profits of I£40.6m. A dividend of 5.44p is recommended, payable from earnings of 10.23p per share.

Mr David Kingston, chief executive, said that embedded profits arising from investment business "were substantially lower" than forecast due to the poor performance of the equity and property markets. However, these have been largely offset by higher embedded profits resulting from a 13 per cent growth in new recurring premium sales in Ireland last year to I£50.4m, which has increased Irish Life's domestic market share in the life, endowment mortgages and pensions businesses from 27.7 per cent to 29.5 per cent.

Overall premium income in Ireland fell by 3 per cent to I£448.7m, due to a sharp fall in the more volatile single premium market. In the UK total premium income grew by 12 per cent to I£93.1m,although new business in recurring premiums fell by 10 per cent to I£19m. US premium income jumped 94 per cent to I£78.9m.

## Correction

### Calor Group

Calor Group's annual meeting will be held at noon tomorrow at the Ironmongers Hall, Shaftesbury Place, Aldersgate Street, London, EC2. The venue was incorrectly reported in yesterday's Week Ahead column.

# COMPANY NEWS: UK

## Sector surprised by such a move in current economic conditions

# Bank of Scotland expands in NZ

By Terry Hall in Wellington

BANK OF SCOTLAND is increasing its involvement in New Zealand retail banking by acquiring a controlling interest in two banks, Countrywide and United, which are to merge.

The move has caused some surprise in banking circles as there had been speculation that Bank of Scotland, whose chief executive is Mr Bruce Pattullo, might withdraw from New Zealand following intense competition in the retail banking sector in the current recession.

Countrywide is to buy the United Bank for NZ$182.5m (£56.7m).

Bank of Scotland, which has owned 40 per cent of Countrywide for the past three years is to increase its stake to 60 per cent of the combined operation.

It is acquiring the 20 per cent shareholding in Countrywide owned by General Accident, the Scottish insurer.

Bank of Scotland will also fully underwrite the purchase of United Bank and provide bridging finance.

Countrywide is listed on the New Zealand stock exchange and is expected to make a cash issue to help fund the expansion.

The merger will create New Zealand's sixth biggest trading bank, with assets of $NZ350m and a 150 strong branch network.

Bruce Pattullo: buying out General Accident's share

Both Countrywide and United were previously building societies before they gained banking licences. Both have large mortgage portfolios, assets which made them attractive targets for takeover.

It is understood that both the Hong Kong Bank, which is seeking to expand in New Zealand, and the ASB Bank, which is controlled by Australia's Commonwealth Bank, investigated buying the United Bank. These banks would not comment yesterday.

United has been owned for the past two years by the financially troubled State Bank of South Australia, which bought it in July 1990 for NZ$150m.

The State Bank was advised to sell it among other assets by JP Morgan, the investment banker. Mr Ted Johnson, group general manager of State Bank, said he was "well pleased with the result which completed the downsizing of the bank."

United has traded profitably since the State Bank takeover and reported a NZ$16m net profit in 1990-91.

Mr Peter Clapshaw, chairman of Countrywide, said the directors had asked Bank of Scotland to increase its interests to give "solidity" to the share register, and to provide it with a fully commited majority shareholder.

● General Accident, which will receive NZ$27.1m from Bank of Scotland for its 20 per cent stake in Countrywide, said the disposal is in line with its current policy of concentrating on its core business of insurance, writes James Buxton.

In New Zealand and Australia GA's insurance business is handled by New Zealand Insurance which it acquired in 1988 for £264m, a year after it took the Countrywide stake. Initially it suffered heavy losses.

However, last year NZI sharply reduced its losses and produced an "excellent result" in New Zealand, while NZI Bank, having cut its deficit to £800,000 in 1991, pulled out of banking in February this year, giving up its license.

# How dives to £1.3m as recession takes toll

By Angus Foster

RECESSION IN the construction industry hit How Group, the Midlands-based building services contractor, which saw pre-tax profits for 1991 fall from £4.21m to £1.3m.

The final dividend is cut to 1.5p to make an uncovered total of 2.5p (3.6p); earnings worked through at 1.82p (5.94p). The shares gained 1p to 32p, compared to a net asset value per share of 56p.

Turnover fell to £223.9m (£236.6m). The group wrote off £1.5m for bad debts and made exceptional provisions of £1.02m for redundancies as the workforce was cut 18 per cent to 2,670.

Engineering services reported a loss before tax of £2.16m (£2.42m profit). Mr David Summerfield, chief executive, said order books fell 30 per cent year on year.

The maintenance division improved pre-tax profits from £519,000 to £1.27m. Fire services turned round to pre-tax profits of £504,000 (£67,000 loss) despite lower turnover. This followed the centralisation of the division to one site.

Year-end net cash was £5.2m (£3.6m) while net interest receivable increased to £426,000 (£388,000).

## NEWS DIGEST

### Licence loss hits Serif Cowells

SERIF COWELLS, the USM-quoted printing, publishing and leisure group, tumbled from profits of £1.34m to losses of £2.21m pre-tax in 1991, described by the company as "a traumatic year of change".

The final dividend is passed. Last time there was a final of 0.5p for a total of 2p.

Sales declined sharply to £34.4m (£62m), mostly because of the loss in 1990 of the licences to distribute Trivial Pursuit and Nintendo. On top of that, "the depressed economic conditions severely affected market demand and significantly reduced margins in all group companies", according to Mr John Pryke, chief executive.

Group operating losses emerged at £724,000 (profits £3.2m). Other income rose to £307,000 (£222,000). interest charges were sharply down at £748,000 (£2.08m) and there was a £1.04m exceptional charge relating to the reorganisation of continuing operations.

To cut gearing, the company undertook a programme of disposals – an extraordinary charge of £3.18m (£44,000) related to this, and in the year borrowings were reduced by £1.7m. Gearing is currently about 30 per cent: at the year-end it was 65 per cent. Losses per share worked through at 10.1p (earnings of 3.5p).

### Tesco chief's basic pay rose by 55%

The basic pay of Sir Ian MacLaurin, chairman of Tesco, rose by 55 per cent last year to £606,000.

However, because Sir Ian took home less performance-related bonuses, his total remuneration fell to £1.08m (£1.46m).

Last year, Tesco's earnings per share increased by 20 per cent to 19.95p.

### Tough second half leaves Toye halved

Toye & Company failed to live up to the promise of the early part of 1991, and finished the year with pre-tax profits halved. The dividend, however, is held at 8p.

Turnover of the company, which makes civil and military regalia and is involved in other craft industries, showed some improvement to £12.9m (£12.4m), but profit worked through at £306,000 (£721,000) after holding at £373,000 in the opening six months. Earnings per share fell to 9.05p (20.02p).

### Jas Smith Estates shows rental growth

James Smith Estates, the property company, lifted pre-tax profit from £1.16m to £1.19m in the year to March 24.

Mr Stephen Mulliner, chairman, said gross rents were £2m (£1.63m), the increase attributable to properties held throughout the year being £350,000, or 21.5 per cent.

Earnings per share came to 5.1p (5p). The final dividend is 2.5p for a total of 3.75p (3.3p).

### JO Walker losses rise to £0.47m

JO Walker, the Leicester-based timber importer, reported increased losses for the 1991 year of £467,000, compared with £36,000. Turnover fell 8 per cent from £15.1m to £13.9m.

A tax credit of £165,000 (£6,000) left losses per share of 37.8p (3.8p). Directors are proposing not to pay a dividend against last year's 2p.

### £20.2m sale at Union Discount

Union Discount has agreed to sell part of its "big ticket" leasing business to Humberclyde Investments for £20.2m.

Union, which recently reported heavy losses, is one of London's nine discount houses through which the Bank of England channels liquidity to the commercial banking system and influences interest rates. It said the sale represented 44.6 per cent of its total "big ticket" leasing book.

### Molynx comes up to forecast

Pre-tax profit from Molynx amounted to £1.93m for 1991, against £1.69m, and the final dividend is the promised 2.7p.

Both matched forecasts made last October with the rights issue which helped fund two acquisitions, reduce borrowings and facilitate further expansion. The group makes closed circuit television and security systems and building energy management systems.

Turnover rose from £15.6m to £22m and trading profit came to £2.34m (£1.94m). Earnings per share were 10.7p (11.8p) and the dividend total is 4p (3.75p).

### Wensum declines to 'creditable' £607,000

The Wensum Company, a USM-quoted designer of corporate clothing and menswear, saw pre-tax profits fall from £746,000 to £607,000 in the year to January 25, but declared that this was a creditable performance.

The fall would have been steeper but for a decline in net interest payable to £140,000 (£216,000).

Trading profits of Wensum Clothing, the menswear side, were almost halved at £261,000 (£490,000) on turnover of £4.94m (£5.33m); for Wensum Corporate, they edged ahead to £486,000 (£472,000) on turnover down at £2.7m (£3.54m).

Earnings emerged at 5.63p (6.62p) per share and directors propose maintaining the final dividend at 2.35p for an unchanged total of 3.5p.

### HC Slingsby tumbles to £82,000

Pre-tax profits of HC Slingsby, a maker of trucks, ladders and ancillary equipment, dropped from £495,503 to £82,500 over 1991 on turnover down from £11.1m to £9.95m.

Earnings per share tumbled from 33p to 4.4p, but the total dividend is held at 7.5p with an unchanged final of 5.5p.

### Lowland Investment steps up interim

Lowland Investment Company is raising its interim dividend from 2.75p to 3p and expects to hold the final at 5.35p for the year to September 30.

For the six months to March 31 pre-tax revenue rose to £1.32m (£1.25m). Earnings advanced to 4.19p (3.98p) per share. The net asset value stood at 201.2p, against 202.5p a year earlier.

### Margins improve as S Lyles rises 48%

Improved margins and a cut in interest charges enabled S Lyles, the yarn spinner and dyer, to increase first half profit by 48 per cent.

Turnover fell to £8.25m (£8.57m) reflecting reduced selling prices resulting from the lower price of wool. But operating profit rose to £485,000 (£389,000) and interest costs were £17,000 (£73,000) to leave the pre-tax balance at £468,000 (£316,000) for the six months to December 31.

Earnings per share rose to 4.47p (2.64p) and the interim dividend is lifted to 1.55p (1.5p).

### Com-Tek Resources $1.12m in the red

Com-Tek Resources, the Denver-based oil and gas explorer, reported total revenue for the year to September 30 ahead 37 per cent, from $544,861 to $747,049 (£422,061).

However, after taking account of costs and other expenses, the company incurred a loss of $1.12m ($118,335). Earnings came out at 3 cents per share.

### Berry Starquest net asset value ahead

Berry Starquest, an investment trust managed by GT Management, had a net asset value per share of 181.2p at January 31 compared with 143.2p a year earlier.

Income totalled £425,000 (£500,000) and net revenue for the year fell from £217,000 to £157,000 for earnings per share of 3p (4.2p). The proposed dividend is 2p (1.8p).

### Thorn EMI's Virgin purchase approved

The European Commission has approved Thorn EMI's £510m acquisition of Virgin Music, clearing the way for the creation of one of the world's largest music companies. The sale, announced at the beginning of March, is now expected to be completed on 1 June.

The acquisition will make Thorn one of the big three international music companies, along with Time Warner and PolyGram, which is 80 per cent owned by Philips.

### Food retailers' property 'overvalued'

The big food retailers are overvaluing their property portfolios and should adopt more prudent accounting policies by depreciating freehold and long leasehold land and buildings acquired since 1987, a stockbroker's report suggests.

Such a change would have a drastic impact on projected earnings per share for the year to spring 1993, reducing Tesco's by 21 per cent, J Sainsbury's by 15 per cent and Argyll Group's by 11 per cent, according to estimates by Credit Lyonnais Laing.

CLL said it was previously acceptable for food retailers not to depreciate because inflation offset decreases in their underlying value. But the carrying value of their recently-acquired assets is now uncomfortably high given the current low inflation.

### Harrap businesses sold by receiver

The core businesses of Harrap, the educational publisher, were yesterday sold out of receivership to W&R Chambers, the Edinburgh-based publisher, for more than £1m.

Rights to the company's travel guides and its UK distribution network were not part of the sale.

### NMC considers sale of stake in US side

NMC Group, the packaging company which last year failed in its hostile bid for rival group API, is considering selling a stake in Universal Packaging, its US business.

NMC announced yesterday that it had appointed advisers in the US to carry out preliminary work on a possible public offering.

The company said UPC had won a five year contract with Kraft General Foods which was likely to increase the offshoot's sales "dramatically".

## COMMODITIES AND AGRICULTURE

# US copper project defeats ecological mussel-power

By Kenneth Gooding, Mining Correspondent

ONE OF the most bitterly fought battles between environmentalists and miners enters a new phase next month when work re-starts on the $20m development of Flambeau Mining's copper project in Wisconsin.

The hugely-rich but relatively small deposit, now owned by RTZ, the world's biggest mining group, was first found in 1968 but it was not until last year that all the permits were in place for development which began in August.

Then environmental researchers successfully applied to a US judge for work to be halted because they said purple warty back mussels and other threatened or endangered species were found in the Flambeau River about a mile from where the mining company plans a drain pipe outlet.

Mr Larry Mercando, vice president and general manager of Flambeau Mining, said yesterday that Wisconsin's state Department of Natural Resources had now issued a revised environmental impact statement that clearly stated the mine's operations would have no effect on any threatened or endangered species.

The episode had delayed mining by about six months, he added. First ore should be shipped in June, 1993. However, Mr Mercando admitted: "We are ready and prepared for more attacks by environmentalists. They never give up."

Mr Mercando estimates that about 70 per cent of the $20m-$30 cost of the mine will go towards environmental protection measures – the biggest cost is for a water treatment plant to ensure that water discarded by the mine is more pure than any found in nature.

The recent production delay was caused by a civil action against the state department by the Sierra Club, a group of environmental activists, and the Lac Courte Oreilles Band of Lake Superior Chippewa natives, who say the mine could spoil fishing by polluting the Flambeau River, a tributary of the Chippewa, which drains into the Mississippi.

Environmentalists are also concerned because the copper deposit is in a heavily wooded area with is no industrial activity. Flambeau's will be the first mine to be developed in Wisconsin since the Shullsburg lead-zinc mine closed in 1979.

Kennecott Corporation, now an RTZ subsidiary, has owned the deposit for 20 years and persevered because it is exceptionally rich. The ore contains 10.5 per cent of copper whereas most miners would be happy with 2 or 3 per cent. Unfortunately, there is only about 1.9m tonnes of ore. As this will be dug out at the rate of 320,000 tonnes a year, the mine will have a life of only six years.

# Cuba plans to raise nickel output

CUBA PLANS to produce nearly 50,000 tonnes of nickel in 1992 and output is forecast to rise to 80,000 tonnes in 1996 following the completion of a fourth nickel plant, according to Prensa Latina, the Cuban news agency, reports Reuter from Havana. Production would reach 100,000 tonnes "in the near future", it said.

The agency, giving rare details of the island's most strategically-important industry after sugar, said Cuba possessed an estimated 37.3 per cent of all of the world's total nickel ore reserves. They were situated in an area on the island's north-eastern coast, around the town of Moa.

"These mineral reserves will allow significant, stable production for more than 200 years," Prensa Latina said.

It said the Cuban government had drawn up a major development plan for the industry involving an overall investment of $1.2bn over the next decade.

# Agriculture's shrinking wage-packet

## UK farming incomes have been nearly halved in the past ten years

**FARMER'S VIEWPOINT**

By David Richardson

FARMERS' INCOMES in the UK fell by 6 per cent last year. But when the value of their own and their families' labour are allowed for their businesses earned 14 per cent less than in 1990. It was the continuation of a trend that, indexing 1985 as 100, saw farming incomes slide in real terms from 170 in the early 1980s to 87 in 1991.

These stark facts were revealed in Farm Incomes in the UK; 1992, published by the Ministry of Agriculture last week. The document also showed that while agriculture accounted for 2.1 per cent of UK employment, as it had for the previous three years (having employed 2.6 per cent of the country's workforce in the early 1980s), the industry's share of the gross domestic product had declined to 1.3 per cent from 2.1 ten years ago.

Behind those depressing averages, however, the report indicated that although the incomes of dairy and intensive livestock farmers fell last year those of cereal and cropping farms increased although not, it was conceded, in real terms.

So it would be reasonable to suppose that farmers in the area with the greatest concentration of cereals and other crops, East Anglia, would be feeling relatively buoyant, given their "rising" incomes. After all, as Farm Incomes in the UK points out, agriculture contributes more to the local economy (4.6 per cent of East Anglias's GDP) than it does in any other region of the UK, including Northern Ireland.

Little sign of buoyancy was revealed, however, by survey of East Anglian farmers conducted recently by land agents Bidwells and the co-operative Eastern Counties Farmers. The purpose of the survey, say its organisers, was to establish the level of confidence among farmers; to explore their concerns about the future and the options they face. Encompassing 140,000 hectares (340,000 acres) and 738 farmers the survey is claimed to have been the biggest of its kind ever conducted in East Anglia.

The fundamental question on farmers' hopes for the next few years resulted in more than two-thirds of respondents saying that they saw no immediate signs of improvement in their businesses. Asked to compare this opinion with how they felt a year ago almost three-quarters said they were less optimistic about 1992 than they had been about 1991.

Interestingly Bidwells conducted a similar survey at the same time among commercial property occupiers. The response in that sector was that 60 per cent were more optimistic than they had been a year previously.

Questioned on what they thought of profitability prospects for the next five years more than two-thirds of the East Anglian farmers believed that 1993 would be worse than 1992. Some apparently thought that there might be some improvement after that but most predicted "a plateau of agony" for the foreseeable future.

In response to such a prospect almost half of those questioned said they planned significant changes in their businesses during the coming year. Neary a quarter said they would reduce manpower; most said they had done so already.

Nearly a third proposed some form of diversification away from straight farming and food production and said that they hoped to generate additional non-farming income. One in 20 planned to seek paid employment away from the farm.

Only one in nine of the farmers surveyed said they planned to purchase any machinery this year. Moreover some respondents expressed their concern for machinery dealers and the agricultural supply trade in general which is, if anything, suffering more than agriculture itself as farmers are forced to cut back on much-needed purchases. One farmer is quoted as commenting: "Things may be bad on the farming side but will there be any of the supply industry left to support it in five years' time?"

In the face of such adverse trading conditions very large numbers of farmers said they contemplated retirement within five years. No less than 56 per cent of those over 65 said they meant to get out of the industry soon. That may not seem too surprising to non-farmers but in an industry where people have normally carried on until they dropped it represents a significant change.

Even more significant was the fact that 33 per cent of the farmers between the ages of 51 and 65 were also thinking of retiring within five years while 3 per cent between 35 and 50 and 3.4 per cent of those under 35 were considering getting out of farming.

However, amid all the pessimism 18.5 per cent of the farmers surveyed said they were more optimistic than they had been a year ago, and one in six said that they hoped to increase the acreage they farmed during the coming year.

Clearly these are the people who regard other farmers' problems as their opportunity to expand. They presumably mean to run any additional land they can get with their existing manpower and machinery thereby reducing unit costs. That way they believe they can improve efficiency and stay ahead of the commodity price cuts forecast as part of CAP reform.

Furthermore nearly half of those wishing to acquire more land said they would prefer to purchase it rather than take it on any form of partnership, contract, or tenancy agreement.

Farmers sitting on land with no encumberances (such as a mortgage) which has been in their family for a few generations can still consider such purchases and the average cost of the land they farm can still look cheap – if they do not compare the returns from recent purchases with those from other investments.

But farmers have never been good at that and the sharp decline in the price of land over the last few years gives them the chance to expand at prices lower than they could have believed possible 10 years ago.

For there is one other highly significant set of statistics which beggar all attempts to make accurate summaries of the overall state of British agriculture. It too appears among the tables in Farm Incomes in the UK and it is this: 1 per cent of all UK farmers have no external liabilities at all and 32 per cent do not have an overdraft.

How the viability of such people can ever sensibly be compared with that of many of the others whose borrowing and interest charges dominate their accounts is beyond me. But at least it explains why some answer opinion polls differently to others.

# Clove hitch for cigarette industry

## William Keeling on Indonesia's over-sized and over-priced crop

CLOVES IN Indonesia are a national feature falling rapidly into disrepute. Like many of the smokers who annually consume more than 130bn fragrant kretek cigarettes, of which the clove is the essential ingredient, the spice is distinctly out of sorts.

Indonesia's 3m-4m clove farmers produce about 80,000 tonnes of the spice but what should have been a boom period has turned sour. Despite a 62 per cent increase in kretek cigarette sales between 1985-89, clove production has outstripped demand. Industry officials say traders should take the blame when in the mid-1980s, speculating on a price increase, they bought large stocks of cloves, creating an artificial demand.

By early 1990 traders were holding over 60,000 tonnes but bumper harvests allowed the cigarette producers to purchase requirements. The price of cloves actually fell by half to a low of 2,000 rupiah ($1) a kilogram and, industry officials estimate, traders faced a loss of over US$65m.

Then in January 1991 the government granted a monopoly over the buying and selling of cloves to Badan Penyangga dan Pemasaran Cengkeh, owned 80 per cent by a consortium of five private companies and 20 per cent by Kerta Niaga, a state marketing board.

Chaired by Mr Hutomo Mandala Putra, the youngest son of President Suharto of Indonesia, BPPC shareholders are reported to include many of the traders holding clove stocks. In early 1991 BPPC's stockpile amounted to about 80,000 tonnes, including Kerta Niaga's stock of 23,000 tonnes.

BPPC set a floor price for farmers of Rp7,900 and sold cloves, including its existing stock, to cigarette producers at between Rp12,700-15,000, more than four times the world market price. Bank Indonesia, the central bank, provided Rp759bn in low-interest credit to finance the venture. Economists say state-owned banks supplied another Rp250bn in credit.

International donors, including the World Bank, criticised the move as contrary to the spirit of economic de-regulation and predicted a worsening over-supply of cloves. BPPC officials said the agency was necessary to protect the farmers who, they claimed, were exploited by the cigarette industry.

BPPC stocks have since risen to over 150,000 tonnes and the company has announced it cannot meet conditions on its loans. Diplomats say some traders have illegally imported a further 30,000 tonnes and that many farmers have not been paid for last year's crop. In February Mr Putra suggested that farmers should burn half their crop or cut down a third of their clove trees.

Industry officials say farmers have been reluctant to follow his advice but the Ministry of Agriculture has announced that it will enforce tree-felling, starting with diseased specimens.

BPPC has come under increasing criticism with members of the ruling Golkar party expressing disapproval. Earlier this month the government reduced BPPC's role in the procurement of cloves, handing much of the task to local co-operative groups.

The floor price has been lowered to Rp4,000, although the co-operative is to receive up to an additional Rp3,900 in retained earnings and compulsory-farmer savings. Diplomats say BPPC has made available Rp120bn for co-operatives to finance purchases.

BPPC retains, however, the sole right to sell cloves and Mr Putra says the price cigarette companies must pay will not be reduced until BPPC's existing stock is exhausted.

A face-off between BPPC and the cigarette industry, therefore, may be in prospect. There are 120 cigarette companies but just two command about 80 per cent market share. These are reported to be holding sufficient stock for another six months production.

The government has technically linked the sale of cigarettes to the purchase of cloves from BPPC, but the latter is likely to face problems running down its stockpile. Economists say cigarette companies have halved the quantity of cloves mixed with tobacco during production. Discord has already been reported within the BPPC consortium as to how sales should be divided between its members.

Bankers say the continuing high cost of cloves may force some smaller cigarette companies to close and the larger firms are threatening to cut back tobacco purchases. Industry officials warn, therefore, of a knock-on effect on the tobacco sector.

In 1991, tobacco production held steady in at an estimated 135,390 tonnes (dry weight), with about 17,450 tonnes being exported. Domestic demand, however, was affected by a rise of 30 per cent in cigarette prices resulting from the higher cost of cloves and increased excise duty. Consumption of cigarettes fell 5.3 per cent in 1991, breaking the trend of uninterrupted growth. The government is likely to be monitoring the situation closely with the cigarette industry providing 10 per cent – about US$1bn – of total tax revenue.

Many industry officials still expect BPPC to fold. Questions remain as to its financial position and to the ability of local co-operatives to finance, collect and store this year's harvest. Bankers say the government may be waiting until after June's general election before wielding the axe.

# Socomex to challenge appointment of receivers

By David Blackwell

SOCOMEX, A long-established London trade house in cocoa and coffee, is to challenge in the High Court the appointment of administrative receivers by Banque Bruxelles Lambert. The company, which is also seeking damages, said it would meanwhile co-operate with the administrators in order to protect its assets.

Banque Bruxelles Lambert has confirmed that it appointed administrative receivers on April 16, but has given no reason.

Last week the Securities and Futures Association said that it had prevented Socomex Futures, a subsidiary of Socomex, from taking any new client business for three months "because we are aware that the parent had some financial difficulties".

The SFA added that Socomex Futures was complying with its rules and was financially solvent. No customers were at risk, it said.

Socomex has been a major trader in robusta coffee, and to some extent cocoa, with the Ivory Coast. Robusta coffee prices last week touched the lowest levels for 17 years.

OBITUARY

# Roger Vielvoye

MR ROGER Vielvoye, international editor of the Oil and Gas Journal, died yesterday after suffering a sudden heart attack at the age of 50. Mr Vielvoye was a well-respected authority on the world oil industry having built a career in energy journalism over the past 20 years.

He had been energy correspondent for *The Times* in London from 1972 to 1978 before joining the Oil and Gas Journal.

He travelled widely throughout Europe to research and report on energy developments for the US-based publication, building up international reputation for his knowledge of the oil industry. Recently he won an award from the Norwegian-based Offshore Northern Seas foundation for his reporting on the oil industry.

Mr Vielvoye started his career in his native Plymouth where he had attended Plymouth College. He later joined the Birmingham Post as an industrial reporter and briefly worked at the Reuters news agency. He was the author of several books on energy-related subjects.

He leaves a wife, Irene, and three grown-up children.

## WORLD COMMODITIES PRICES

### MARKET REPORT

Robusta COFFEE prices fell to 20 year lows in London, but dealers feel that the market still has substantial downside potential. "It's not looking too good. July was supposed to have support at $780 but that gave way right on opening," one trader said. "This continued selling pressure just reveals the weakness of the market. There are no buyers around." It was unclear whether more origin selling of robusta coffee had taken place, but Cameroon was rumoured. COCOA recovered some ground in the afternoon on a technical short-covering rally after the July contract dropped earlier to within £3 of £588 a tonne – last year's low and now a major support level. But cocoa futures are expected to test support again over the next few days. On the LME ZINC backtracked from earlier 16-month highs while other metals drifted back in largely routine trading. Dealers said the run-up to a peak of $1,315 a tonne for three-month metal in the morning, underpinned by technical tightness, resulted in profit-taking in the afternoon. But the close is technically constructive with the market holding above $1,300. Traders expect a move towards $1,330.

**Compiled from Reuters**

### London Markets

**SPOT MARKETS**

| Crude oil (per barrel FOB) | | + or - |
|---|---|---|
| Dubai | $15.55-5.60 | -.025 |
| Brent Blend (dated) | $18.85-8.90 | +.025 |
| Brent Blend (Jun) | $18.85-8.90 | +.025 |
| W.T.I (1 pm est) | $20.15-0.25z | +.025 |
| **Oil products (NWE prompt delivery per tonne CIF)** | | + or - |
| Premium Gasoline | $215-218 | +2.5 |
| Gas Oil | $174-175 | |
| Heavy Fuel Oil | $73-75 | +1 |
| Naphtha | $181-183 | +1 |
| *Petroleum Argus Estimates* | | |
| **Other** | | + or - |
| Gold (per troy oz)♣ | $335.90 | -0.65 |
| Silver (per troy oz)♣ | 398c | -2 |
| Platinum (per troy oz) | $344.25 | +2.1 |
| Palladium (per troy oz) | $82.40 | +0.4 |
| Copper (US Producer) | 103.98 | +0.32 |
| Lead (US Producer) | 37.37c | -0.1 |
| Tin (Kuala Lumpur market) | 14.54r | |
| Tin (New York) | 272.5 | |
| Zinc (US Prime Western) | 62c | |
| Cattle (live weight)† | 109.36p | -2.07* |
| Sheep (live weight)†♣ | 97.05p | +1.23* |
| Pigs (live weight)† | 100.24p | -0.98* |
| London daily sugar (raw) | $249.8t | -6.2 |
| London daily sugar (white) | na | |
| Tate and Lyle export price | £249.0 | |
| Barley (English feed) | £119.25 | |
| Maize (US No. 3 yellow) | £147.75w | -0.25 |
| Wheat (US Dark Northern) | £120.0w | |
| Rubber (Jun)♥ | 55.50p | +0.5 |
| Rubber (Jul)♥ | 55.75p | +0.5 |
| Rubber (KL RSS No 1 May) | 220.0 | +2 |
| Coconut oil (Philippines)§ | $35.0t | -5 |
| Palm Oil (Malaysian)§ | $400z | -4 |
| Copra (Philippines)§ | $420.0w | -10 |
| Soyabeans (US) | £150.0t | -0.5 |
| Cotton "A" Index | 58.70c | |
| Wooltops (64s Super) | 448p | |

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb r-ringgit/kg. t-May/Jun y-Apr/May w-Apr z-May. †Meat Commission average fatstockprices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices.

**SUGAR – London FOX** ($ per tonne)

| Raw | Close | Previous | High/Low |
|---|---|---|---|
| May | 218.00 | 221.20 | 221.20 218.60 |
| Aug | 214.00 | 214.60 | 214.40 |
| Oct | 201.00 | 201.80 | 201.80 |
| May | 188.00 | 189.00 | 186.00 |
| **White** | **Close** | **Previous** | **High/Low** |
| Aug | 274.00 | 274.90 | 275.00 271.00 |
| Oct | 266.50 | 267.00 | 267.00 265.10 |
| Mar | 267.50 | 270.00 | 265.50 |

Turnover: Raw 178 (531) lots of 50 tonnes. White 584 (423)
Paris- White (FFr. per tonne): Aug 1550.90 Oct 1521.67

**CRUDE OIL – IPE** $/barrel

| | Close | Previous | High/Low |
|---|---|---|---|
| Jun | 18.95 | 18.86 | 18.97 18.86 |
| Jul | 18.85 | 18.81 | 18.88 18.78 |
| Aug | 18.80 | 18.75 | 18.84 18.73 |
| Sep | 18.78 | 18.73 | 18.80 18.74 |
| Oct | 18.76 | 18.75 | 18.81 18.71 |
| Dec | 18.73 | 18.73 | 18.74 18.69 |
| IPE Index | 18.83 | 18.73 | |

Turnover 12108 (14953)

**GAS OIL – IPE** $/tonne

| | Close | Previous | High/Low |
|---|---|---|---|
| May | 171.25 | 172.00 | 173.25 171.00 |
| Jun | 171.25 | 172.00 | 173.25 171.00 |
| Jul | 171.75 | 172.25 | 173.50 171.50 |
| Aug | 173.75 | 174.50 | 175.25 174.00 |
| Sep | 175.75 | 176.25 | 177.25 176.00 |
| Oct | 178.00 | 178.50 | 179.00 178.00 |
| Nov | 179.00 | 179.50 | 179.00 |
| Dec | 180.50 | 180.75 | 181.25 180.50 |

Turnover 9029 (7514)lots of 100 tonnes

**TEA**
Demand continued to be strong and active reports the Tea Broker's Association. Landed prices for bright liquoring and good medium East Africans showed further advances of between 5 and 20p. The balance sold readily at fully firm rates. Central Africans were also well supported and dearer. The small selection of Ceylon teas on offer were much dearer with quality. Offshore. Bright liquoring descriptions often gained 5 to 10p while others generally tended dearer. The highest price realised this week was 221p for a Rwanda pf.1. Quotations: quality 180p, nom good medium 135p. medium 118p. low medium 92p

**COCOA – London FOX** £/tonne

| | Close | Previous | High/Low |
|---|---|---|---|
| May | 573 | 581 | 575 563 |
| Jul | 603 | 606 | 604 591 |
| Sep | 626 | 634 | 631 617 |
| Dec | 664 | 670 | 664 654 |
| Mar | 700 | 703 | 696 689 |
| May | 722 | 725 | 720 711 |
| Jul | 743 | 746 | 735 734 |
| Sep | 764 | 769 | 756 755 |
| Dec | 794 | 797 | 782 |

Turnover: 4781(6958) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Apr 24 765.29 (768.41) 10 day average for Apr.24 767.67 (767.30)

**COFFEE – London FOX** $/tonne

| | Close | Previous | High/Low |
|---|---|---|---|
| May | 743 | 763 | 753 736 |
| Jul | 789 | 787 | 785 782 |
| Sep | 787 | 806 | 805 782 |
| Nov | 804 | 826 | 820 803 |
| Jan | 827 | 848 | 840 824 |
| Mar | 844 | 870 | 850 846 |

Turnover:2948 (6142) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Apr.23: Comp. daily 52.07 (52.52) 15 day average 54.25 (54.51)

**POTATOES – London FOX** £/tonne

| | Close | Previous | High/Low |
|---|---|---|---|
| May | 115.6 | 118.0 | 118.5 114.5 |
| Apr | 117.8 | 120.0 | 118.0 117.0 |

Turnover 146 (79) lots of 20 tonnes.

**SOYAMEAL – London FOX** £/tonne

| | Close | Previous | High/Low |
|---|---|---|---|
| Jun | 119.50 | 121.50 | 119.50 |
| Aug | 120.50 | 122.50 | 120.50 |

Turnover 50 (65) lots of 20 tonnes.

**FREIGHT – London FOX** $10/index point

| | Close | Previous | High/Low |
|---|---|---|---|
| Apr | 1197 | 1200 | 1200 1197 |
| May | 1262 | 1236 | 1263 1240 |
| Jun | 1188 | 1153 | 1195 1170 |
| Jul | 1128 | 1118 | 1135 1120 |
| Oct | 1243 | | 1250 1243 |
| BFI | 1188 | 1185 | |

Turnover 95 (173)

**GRAINS – London FOX** £/tonne

| Wheat | Close | Previous | High/Low |
|---|---|---|---|
| May | 124.20 | 124.10 | 124.35 124.20 |
| Jun | 125.60 | 125.85 | 125.85 125.60 |
| Nov | 115.10 | 115.00 | 115.10 |
| **Barley** | **Close** | **Previous** | **High/Low** |
| May | 117.65 | 117.25 | 117.75 117.50 |
| Nov | 112.00 | 111.80 | 112.00 111.85 |

Turnover: Wheat 82 (349) , Barley 66 (31).
Turnover lots of 100 Tonnes.

**PIGS – London FOX** (Cash Settlement) p/kg

| | Close | Previous | High/Low |
|---|---|---|---|
| Apr | 129.0 | | 128.5 125.0 |
| May | 127.0 | 126.0 | 126.5 126.0 |
| Jun | 119.0 | 119.5 | 118.6 118.5 |

Turnover:68 (30) lots of 3,250 kg

**LONDON METAL EXCHANGE** (Prices supplied by Amalgamated Metal Trading)

| | Close | Previous | High/Low | AM Official | Kerb close | Open interest |
|---|---|---|---|---|---|---|
| **Aluminium, 99.7% purity ($ per tonne)** | | | | | | Total daily turnover 31,384 lots |
| Cash | 1314.5-15.5 | 1307-9 | 1316 | 1315.5-16 | | |
| 3 months | 1340-41 | 1333-5 | 1342/1331 | 1341-1.5 | 1336-38.5 | 170,984 lots |
| **Copper, Grade A (£ per tonne)** | | | | | | Total daily turnover 22,986 lots |
| Cash | 1241-42 | 1245.5-6.5 | 1242 | 1242-2.5 | | |
| 3 months | 1270-71 | 1275-75.5 | 1274/1270 | 1272-72.5 | 1270-71 | 103,652 lots |
| **Lead (£ per tonne)** | | | | | | Total daily turnover 3,827 lots |
| Cash | 298.5-300 | 298-9 | 301/300.5 | 300.5-1.0 | | |
| 3 months | 312-2.5 | 311-1.5 | 312.5/310.5 | 312.5-13 | 311-12 | 16,625 lots |
| **Nickel ($ per tonne)** | | | | | | Total daily turnover 7,273 lots |
| Cash | 7450-60 | 7425-35 | 7475 | 7472-75 | | |
| 3 months | 7540-50 | 7515-20 | 7585/7540 | 7560-65 | 7535-40 | 23,884 lots |
| **Tin ($ per tonne)** | | | | | | Total daily turnover 1,135 |
| Cash | 5855-65 | 5875-85 | 5871/5870 | 5870-71 | | |
| 3 months | 5870-80 | 5880-85 | 5880/5870 | 5870-71 | 5870-75 | 6,989 lots |
| **Zinc, Special High Grade ($ per tonne)** | | | | | | Total daily turnover 15,876 lots |
| Cash | 1352-53 | 1339-40 | 1350 | 1350-51 | | |
| 3 months | 1305-06 | 1304-5 | 1315/1303 | 1308-09 | 1302-03 | 56,589 lots |

LME Closing £/$ rate:
SPOT: 1.7795 3 months: 1.7515 6 months: 1.7287 9 months: 1.7078

**LONDON BULLION MARKET**
(Prices supplied by N M Rothschild)

| Gold (fine oz) | $ price | £ equivalent |
|---|---|---|
| Close | 335.70-336.10 | |
| Opening | 336.50-336.70 | |
| Morning fix | 336.50 | 189.524 |
| Afternoon fix | 335.10 | 188.840 |
| Day's high | 336.60-336.90 | |
| Day's low | 335.60-335.90 | |

**Loco Ldn Mean Gold Lending Rates (Vs US$)**

| | | | |
|---|---|---|---|
| 1 month | 3.16 | 6 months | 3.26 |
| 2 months | 3.16 | 12 months | 3.42 |
| 3 months | 3.19 | | |

| Silver fix | p/fine oz | US cts equiv |
|---|---|---|
| Spot | 224.30 | 399.90 |
| 3 months | 230.15 | 403.05 |
| 6 months | 235.95 | 407.40 |
| 12 months | 247.00 | 417.20 |

**GOLD COINS**
(Prices supplied by Engelhard Metals)

| | $ price | £ equivalent |
|---|---|---|
| Krugerrand | 335.75-336.75 | 189.00-189.50 |
| Maple leaf | 347.00-348.00 | 195.25-195.75 |
| New Sovereign | 82.50-83.50 | 46.50-47.00 |

**TRADED OPTIONS**

| Aluminium (99.7%) | Calls | | Puts | |
|---|---|---|---|---|
| Strike price $ tonne | May | Jun | May | Jun |
| 1200 | 118 | 128 | 3 | 3 |
| 1300 | 24 | 43 | 8 | 17 |
| 1400 | 3 | 6 | 82 | 79 |
| **Copper (Grade A)** | **Calls** | | **Puts** | |
| 2150 | 85 | 75 | 3 | 4 |
| 2250 | 3 | 14 | 35 | 43 |
| 2350 | 3 | 3 | 134 | 129 |
| **Coffee** | **Jul** | **Sep** | **Jul** | **Sep** |
| 700 | 72 | 95 | 4 | 10 |
| 750 | 34 | 61 | 16 | 25 |
| 800 | 13 | 35 | 35 | 49 |
| **Cocoa** | **Jul** | **Sep** | **Jul** | **Sep** |
| 600 | 38 | 64 | 10 | 11 |
| 625 | 23 | 47 | 20 | 19 |
| 650 | 14 | 33 | 38 | 30 |
| **Brent Crude** | **Jun** | **Jul** | **Jun** | **Jul** |
| 1850 | 58 | 68 | 14 | 19 |
| 1900 | 24 | 42 | | 33 |
| 1950 | | 20 | | |

### New York

**GOLD 100 troy oz.; $/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Apr | 336.6 | 336.9 | 337.0 | 336.0 |
| May | 336.6 | 336.9 | 0 | 0 |
| Jun | 337.1 | 337.5 | 337.8 | 336.4 |
| Aug | 339.1 | 339.5 | 339.8 | 338.5 |
| Oct | 341.0 | 341.4 | 0 | 0 |
| Dec | 343.1 | 343.5 | 343.5 | 342.9 |
| Feb | 345.5 | 345.8 | 0 | 0 |
| Apr | 347.8 | 348.1 | 347.5 | 347.5 |
| Jun | 350.4 | 350.7 | 0 | 0 |

**PLATINUM 50 troy oz; $/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Apr | 342.5 | 345.5 | 345.5 | 345.5 |
| Jul | 342.5 | 343.5 | 345.0 | 342.1 |
| Oct | 346.3 | 347.0 | 348.5 | 348.0 |
| Jan | 346.3 | 347.3 | 349.0 | 348.0 |
| Apr | 347.8 | 348.8 | 0 | 0 |

**SILVER 5,000 troy oz; cents/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Apr | 394.1 | 396.3 | 0 | 0 |
| May | 394.3 | 396.5 | 398.5 | 392.5 |
| Jun | 395.9 | 398.1 | 0 | 0 |
| Jul | 397.3 | 399.6 | 401.5 | 396.0 |
| Sep | 400.6 | 402.9 | 405.0 | 400.0 |
| Dec | 405.5 | 407.8 | 408.5 | 404.5 |
| Jan | 407.2 | 409.5 | 0 | 0 |
| Mar | 411.0 | 413.3 | 410.0 | 410.0 |
| May | 414.9 | 417.3 | 0 | 0 |
| Jul | 418.9 | 421.3 | 0 | 0 |

**HIGH GRADE COPPER 25,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Apr | 99.70 | 100.15 | 100.10 | 99.85 |
| May | 99.75 | 100.15 | 100.20 | 99.70 |
| Jun | 99.95 | 100.30 | 100.15 | 100.15 |
| Jul | 100.15 | 100.50 | 100.65 | 100.10 |
| Aug | 100.20 | 100.60 | 0 | 0 |
| Sep | 100.30 | 100.70 | 100.65 | 100.35 |
| Oct | 100.30 | 100.70 | 100.60 | 100.55 |
| Nov | 100.30 | 100.70 | 0 | 0 |
| Dec | 100.30 | 100.70 | 100.70 | 100.30 |
| Jan | 100.15 | 100.55 | 0 | 0 |

**INDICES**

**REUTERS (Base: September 18 1931 = 100)**

| Apr.27 | Apr.24 | mnth ago | yr ago |
|---|---|---|---|
| 1608.6 | 1615.3 | 1603.9 | 1748.4 |

**DOW JONES (Base: Dec. 31 1974 = 100)**

| | Apr.24 | Apr.23 | mnth ago | yr ago |
|---|---|---|---|---|
| Spot | 114.72 | 116.52 | 117.89 | 126.62 |
| Futures | 119.68 | 120.01 | 122.18 | 127.41 |

**CRUDE OIL (Light) 42,000 US galls $/barrel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jun | 20.29 | 20.22 | 20.33 | 20.18 |
| Jul | 20.35 | 20.27 | 20.40 | 20.25 |
| Aug | 20.34 | 20.26 | 20.37 | 20.26 |
| Sep | 20.31 | 20.23 | 20.32 | 20.22 |
| Oct | 20.28 | 20.20 | 20.30 | 20.20 |
| Nov | 20.24 | 20.16 | 20.21 | 20.16 |
| Dec | 20.21 | 20.13 | 20.20 | 20.14 |
| Jan | 20.14 | 20.06 | 20.12 | 20.10 |
| Feb | 20.08 | 20.00 | 20.05 | 20.03 |
| Mar | 20.03 | 19.95 | 19.98 | 19.98 |

**HEATING OIL 42,000 US galls, cents/US galls**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 5530 | 5529 | 5555 | 5495 |
| Jun | 5501 | 5492 | 5525 | 5480 |
| Jul | 5504 | 5490 | 5515 | 5465 |
| Aug | 5575 | 5560 | 5590 | 5540 |
| Sep | 5700 | 5685 | 5705 | 5685 |
| Oct | 5800 | 5785 | 5805 | 5770 |
| Nov | 5890 | 5875 | 5875 | 5885 |
| Dec | 5980 | 5965 | 6000 | 5940 |
| Jan | 6000 | 5985 | 6020 | 6020 |
| Feb | 5895 | 5880 | 0 | 0 |

**COCOA 10 tonnes;$/tonnes**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 906 | 903 | 907 | 895 |
| Jul | 954 | 950 | 958 | 936 |
| Sep | 985 | 982 | 989 | 979 |
| Dec | 1048 | 1043 | 1054 | 1034 |
| Mar | 1092 | 1087 | 1080 | 1080 |
| May | 1123 | 1118 | 1114 | 1108 |
| Jul | 1155 | 1150 | 1165 | 1140 |
| Sep | 1185 | 1180 | 0 | 0 |
| Dec | 1223 | 1218 | 0 | 0 |

**COFFEE "C" 37,500lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 64.10 | 64.65 | 64.10 | 63.00 |
| Jul | 65.40 | 66.45 | 65.95 | 64.40 |
| Sep | 67.55 | 68.65 | 68.15 | 66.90 |
| Dec | 70.90 | 71.90 | 71.60 | 70.60 |
| Mar | 74.40 | 75.25 | 74.50 | 74.00 |
| May | 77.50 | 77.90 | 0 | 0 |
| Jul | 79.00 | 80.00 | 0 | 0 |
| Sep | 81.25 | 82.80 | 82.50 | 82.40 |

**SUGAR WORLD "11" 112,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 9.83 | 9.99 | 10.07 | 9.74 |
| Jul | 9.59 | 9.63 | 9.74 | 9.53 |
| Oct | 8.98 | 9.03 | 9.10 | 8.95 |
| Mar | 8.85 | 8.86 | 8.92 | 8.85 |
| May | 8.83 | 8.83 | 8.86 | 8.82 |
| Jul | 8.86 | 8.85 | 0 | 0 |

**COTTON 50,000; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 60.87 | 59.82 | 61.50 | 59.70 |
| Jul | 61.99 | 61.02 | 62.65 | 60.75 |
| Oct | 62.60 | 62.48 | 63.40 | 62.05 |
| Dec | 63.08 | 62.90 | 63.75 | 62.50 |
| Mar | 64.20 | 64.05 | 64.80 | 63.65 |
| May | 64.70 | 64.50 | 64.70 | 64.10 |
| Jul | 64.86 | 64.75 | 65.00 | 64.35 |
| Oct | 64.35 | 64.20 | 0 | 0 |

**ORANGE JUICE 15,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 135.50 | 136.20 | 136.40 | 135.50 |
| Jul | 131.50 | 131.65 | 132.10 | 131.20 |
| Sep | 124.50 | 124.50 | 125.00 | 124.50 |
| Nov | 117.50 | 117.35 | 117.60 | 117.00 |
| Jan | 117.05 | 117.05 | 117.50 | 117.00 |
| Mar | 117.00 | 117.00 | 117.40 | 117.00 |
| May | 117.00 | 117.05 | 0 | 0 |
| Jul | 117.00 | 117.05 | 0 | 0 |
| Sep | 117.00 | 117.05 | 0 | 0 |

### Chicago

**SOYABEANS 5,000 bu min; cents/60lb bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 574/0 | 575/0 | 578/4 | 573/6 |
| Jul | 579/6 | 581/0 | 585/0 | 579/4 |
| Aug | 583/6 | 585/2 | 588/4 | 583/4 |
| Sep | 587/6 | 588/6 | 592/0 | 587/4 |
| Nov | 593/4 | 596/0 | 599/2 | 593/0 |
| Jan | 602/0 | 605/2 | 607/4 | 602/0 |
| Mar | 611/2 | 614/0 | 616/0 | 611/0 |
| May | 618/4 | 620/4 | 622/0 | 618/4 |
| Jul | 624/0 | 626/0 | 627/4 | 624/0 |
| Nov | 604/0 | 604/0 | 605/0 | 604/0 |

**SOYABEAN OIL 60,000 lbs; cents/lb**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 19.41 | 19.60 | 19.72 | 19.41 |
| Jul | 19.65 | 19.90 | 20.02 | 19.60 |
| Aug | 19.78 | 20.06 | 20.18 | 19.78 |
| Sep | 19.87 | 20.22 | 20.32 | 19.85 |
| Oct | 20.05 | 20.38 | 20.48 | 20.05 |
| Dec | 20.38 | 20.70 | 20.80 | 20.38 |
| Jan | 20.50 | 20.80 | 20.92 | 20.50 |
| Mar | 20.80 | 21.10 | 21.20 | 20.80 |

**SOYABEAN MEAL 100 tons; $/ton**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 174.2 | 174.3 | 174.7 | 173.6 |
| Jul | 176.7 | 176.7 | 177.3 | 176.3 |
| Aug | 177.6 | 178.0 | 178.4 | 177.6 |
| Sep | 178.6 | 178.9 | 179.5 | 178.5 |
| Oct | 195.2 | 195.8 | 196.2 | 195.2 |
| Dec | 195.6 | 195.9 | 196.4 | 195.6 |
| Jan | 195.7 | 196.1 | 196.3 | 195.7 |
| Mar | 196.1 | 196.7 | 196.8 | 196.1 |

**MAIZE 5,000 bu min; cents/56lb bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 247/0 | 249/4 | 249/6 | 246/6 |
| Jul | 251/4 | 254/2 | 254/4 | 251/2 |
| Sep | 249/0 | 250/4 | 251/0 | 248/4 |
| Dec | 248/6 | 249/4 | 250/6 | 248/4 |
| Mar | 256/4 | 257/4 | 258/2 | 256/4 |
| May | 260/6 | 261/6 | 263/0 | 260/6 |
| Jul | 264/6 | 266/0 | 266/2 | 264/6 |
| Dec | 255/0 | 256/0 | 256/0 | 255/0 |

**WHEAT 5,000 bu min; cents/60lb-bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 384/6 | 386/6 | 388/4 | 382/4 |
| Jul | 366/4 | 368/6 | 370/0 | 365/2 |
| Sep | 370/0 | 372/4 | 373/0 | 368/2 |
| Dec | 376/6 | 379/0 | 380/4 | 375/2 |
| Mar | 376/0 | 377/6 | 377/0 | 376/0 |
| May | 360/0 | 360/0 | 363/4 | 360/0 |
| Jul | 343/0 | 342/4 | 343/4 | 342/4 |

**LIVE CATTLE 40,000 lbs; cents/lbs**

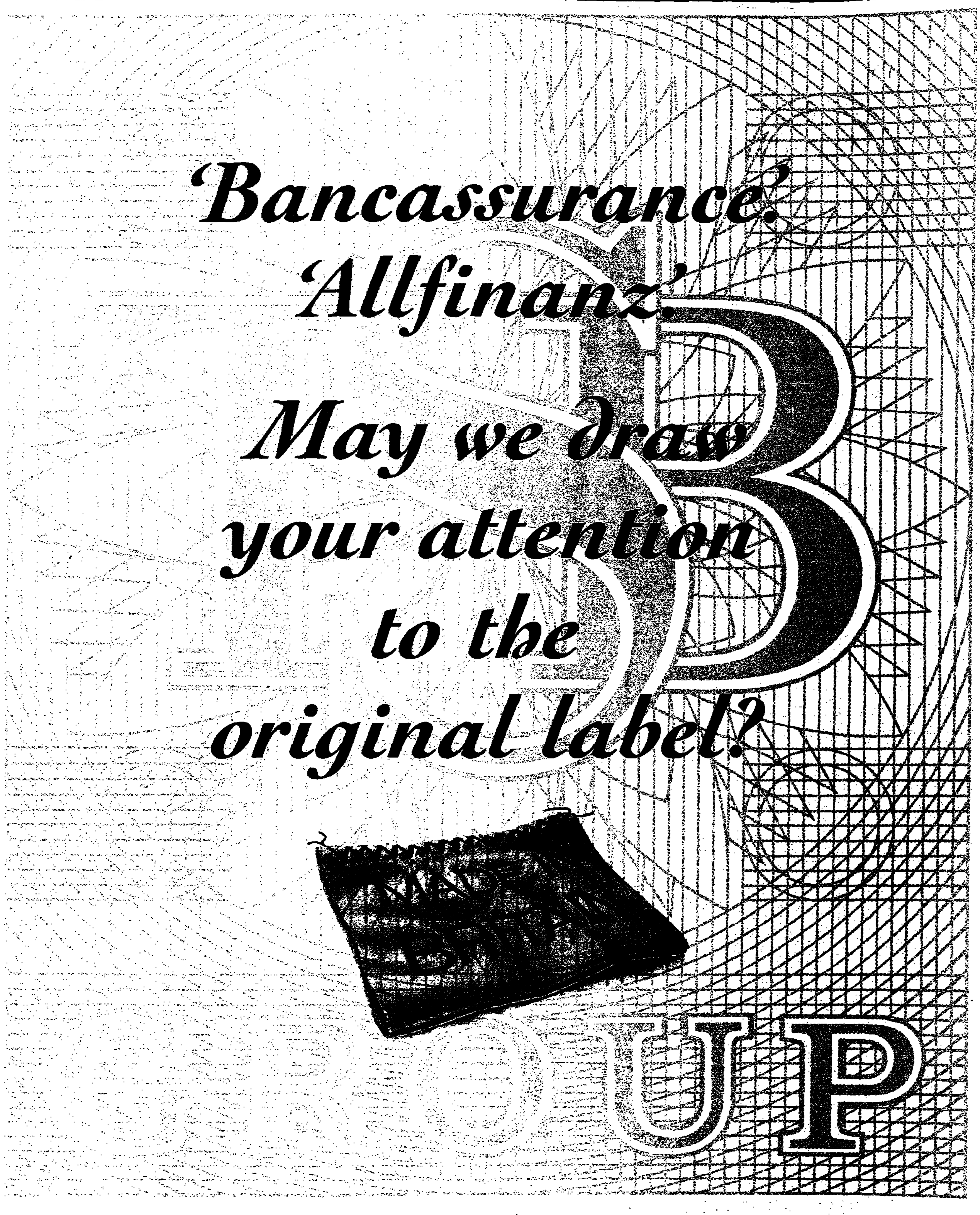
| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jun | 73.750 | 73.800 | 74.700 | 73.800 |
| Aug | 70.475 | 69.975 | 71.075 | 70.325 |
| Oct | 70.150 | 69.925 | 70.675 | 70.050 |
| Dec | 69.800 | 69.900 | 70.600 | 69.650 |
| Feb | 69.300 | 69.450 | 69.900 | 69.300 |
| Apr | 70.275 | 70.600 | 70.900 | 70.275 |
| Jun | 68.500 | 68.600 | 68.500 | 68.500 |

**LIVE HOGS 40,000 lb; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jun | 48.075 | 48.325 | 48.900 | 48.050 |
| Jul | 46.250 | 46.525 | 46.925 | 46.200 |
| Aug | 44.225 | 44.375 | 44.800 | 44.175 |
| Oct | 40.825 | 40.850 | 41.250 | 40.700 |
| Dec | 42.850 | 43.025 | 43.200 | 42.850 |
| Feb | 43.825 | 44.000 | 44.250 | 43.800 |
| Apr | 42.400 | 42.500 | 42.750 | 42.400 |

**PORK BELLIES 40,000 lbs; cents/lb**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 35.425 | 34.900 | 35.000 | 35.000 |
| Jul | 35.375 | 34.775 | 35.900 | 35.000 |
| Aug | 33.000 | 32.600 | 33.600 | 32.900 |
| Feb | 43.450 | 43.175 | 44.000 | 43.000 |
| Mar | 42.600 | 42.525 | 43.250 | 42.600 |
| May | 43.050 | 42.650 | 44.000 | 43.050 |


'Bancassurance'.
'Allfinanz'.
May we draw
your attention
to the
original label?

## LONDON STOCK EXCHANGE

# Equities poised to test all-time peak

By Steve Thompson

A SOLID and determined performance by London's equity market, prompted by a renewed flurry of takeover speculation, took the FT-SE 100 share index to within 21.4 of its all-time closing peak.

A highly encouraging first trading session of the new two-week trading account saw the Footsie index close a further 15.2 points up at 2,658.2, compared with its closing high of 2,679.6, achieved on September 2 last year, and its intra-day peak of 2,683.7, which it touched on September 3.

It was not all easy going however. Early in the session the market struggled to keep its head above water, with dealers concerned about the impact on international markets of public sector strikes in Germany, plus the resignation of its foreign minister.

Wall Street's weakness on Friday and yesterday as well as renewed concern about the impact on the Japanese banking system of the steep decline in Tokyo share prices were other factors causing unease in London.

Opening some two points easier, the Footsie embarked on a sustained recovery. Helped by another solid showing from sterling, which continued to improve against the dollar and more importantly in terms of the D-mark, the market moved into positive territory within minutes of the opening and gathered strength as the session progressed.

| Account Dealing Dates | | |
|---|---|---|
| *First Dealings: | | |
| Apr 6 | Apr 27 | May 11 |
| Option Declarations: | | |
| Apr 23 | May 7 | May 28 |
| Last Dealings: | | |
| Apr 24 | May 8 | May 29 |
| Account Day: | | |
| May 5 | May 18 | Jun 8 |

*New-time dealings may take place from 8.30 am two business days earlier.

A surge in the Footsie future was said to have been responsible for the initial strong rise in the cash market, although a 50-point premium was soon whittled away – eventually closing at a 31-point premium – while the future settled at a 13-point premium over fair value as the market closed.

Dealers said trade responded to a growing belief that the next few weeks could well see a flurry of takeover bids. They added that the market could easily cope with the worries about Germany and the G-7 meeting held over the weekend. "We never expected G-7 to be positive and the German story has been in the market for some time," said one. He said the institutions were happy with the feel of London's recent performance against a background of bearishness on Wall Street.

Strategists pointed out that the UK is viewed by international fund managers as probably the safest bet, politically, of all the industrialised countries. "I wouldn't be surprised to see London shoot through its all-time high and test Footsie 2,700," said one.

Banking remained the focus of attention with dealers bracing themselves for a counter bid for Midland Bank from fellow UK clearer Lloyds. Barclays attracted plenty of interest after confirmation that Sir John Quinton is to step down as chief executive of the UK's biggest bank. NatWest's annual meeting is set for today while Bank of Scotland reports full-year figures tomorrow.

Oil shares moved back into the limelight with US institutions chasing BP higher amid suggestions that the US authorities may adopt a tax regime more encouraging to the oil and gas explorers.

Turnover was slightly disappointing at 518.4m shares. Stock Exchange figures revealed that the value of business last Friday was £1.33bn.

# US buyers return for BP

BRITISH Petroleum received a much needed fillip to its dwindling share price as a number of stories circulated in the market. The stock bounced 9 to 256p on 7.6m traded, with much of the interest said to be from the US. The buying was said to be partly prompted by an optimistic report in a leading trade magazine about the prospects for the Cusiana oilfield in Columbia.

Another report, originating from an independent Russian news agency, said BP was negotiating the rights to participate in development of a large oil and gas field in Siberia.

There was also speculation that the US authorities might be about to introduce a more attractive tax regime for oil and gas explorers. However, most observers attributed the rise to a technical bounce, and one story, that Hanson might be preparing a bid, prompted cynical comments that some traders could be generating rumours in order to square their books.

A decision by Rank Organisation to put its hotel business up for sale lifted the leisure group's shares 13 to 739p. Analysts said the five London and 17 provincial hotels could have a potential price tag in excess of £300m, although in the current depressed market that figure is debatable. However, Rank let it be known that it was willing to wait years if necessary to exact the right price.

Bears of Rank questioned the logic of selling one of its best potential recovery businesses and the possible length of negotiations. However, a more positive view was that Rank would be able to obtain a good price as the hotel market improves, particularly for its prestige London sites, thus reducing its debt burden.

Union Discount, troubled member of London's most elite monetary sector and once the largest discount house in the world's premier financial market, rose 9 to 138p on the disposal of its "big ticket" leasing business to French-owned Humberclyde Investments.

The shares still have a long way to go, however, after falling from last year's peak of 600p, with Union's "small ticket" business Sabre Leasing remaining the worst problem, contributing to last year's group loss of £23.5m.

Analysts said big ticket leasing, involving large items such as aircraft, is saleable because of its tax advantages, but it would be a different story if the small ticket office equipment business were to be offered for sale.

British Aerospace advanced 10 to 355p in brisk turnover of 7m as investors appreciated the arrival of Mr Richard Lapthorne as finance director and the winning of a £40m contract to upgrade Oman's Rapier anti-aircraft missile system.

Contributing to the increased turnover were underwriters of last year's failed rights issue releasing stock into the market, and profit-takers that had recently bought shares at lower levels.

Food retailer Asda lost 1¼ at 27½p, after 26¼p, on turnover of 17m, continuing the heavy trading seen in the stock during recent sessions.

The company is holding a series of meetings with securities houses at present, and yesterday's decline in the share price followed a downgrading by S.G. Warburg Securities, one of its brokers.

Growing belief that Lloyds Bank will bid for Midland, and that both banks will benefit, ensured that Lloyds firmed 3 to 427p and Midland closed 6 better at 381p.

The market became aware that first-quarter figures from Sun Alliance were encouraging, particularly following disappointing new life figures last week from Legal & General, up 11 at 382p. Sun said its new single premium business was up by 150 per cent and its new annual premium business had improved by 20 per cent. The stock, which has been the best performer in the FT-SE 100 Index since the general election, gained a further 12 to 294p, still a long way below the 392p price the shares attracted in August last year.

Bargain hunters for property issues turned away from last week's star stocks and sought other perceived value shares. Brixton Estates rose 7 to 176p, Frogmore 22 to 318p and Capital & Counties 26 to 221p.

Hopes of an economic upturn boosted stores in heavy turnover – although County NatWest said it felt the sector was becoming overvalued. Investors looking for recovery stocks were encouraged into Burton, which gained 3 to 50½p on turnover of 10m.

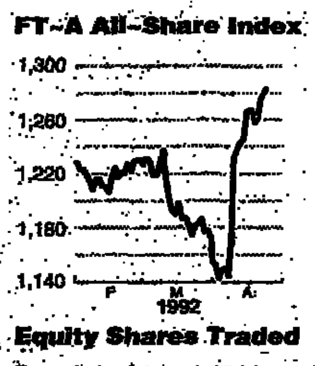
Shares in TI Group, which last week bid for Dowty Group, were in demand after Standard & Poor's, the US credit rating agency, confirmed an AI rating on TI's debt. Dowty added 3 at 180p.

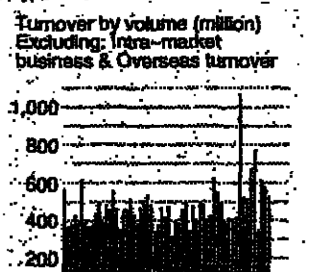
Among transport stocks, Eurotunnel remained in the doldrums as the company announced it was to appeal against a dispute panel's ruling in March that it makes a £50m payment to TML, the Channel tunnel constructor, as a settlement of the dispute between the two parties.

Wellcome fell sharply in early trading in reaction to a Sunday newspaper article which raised doubts about the pharmaceutical company's anti-Aids drug Retrovir and the origins of Aids. The stock closed a net 17 off at 1015p after being down 48 at one stage.

Bid speculation once again surrounded Fisons, which jumped 17½, a big move for the stock, to 368p xd.

Neither a surprise announcement that ICI's US patent on its Nolvadex breast cancer drug had been invalidated, nor concern over first-quarter figures, held back the chemicals giant. The shares put on 9 to 1373p.



Source: Datastream

**MARKET REPORTERS:**
Joel Kibazo, Peter John, Colin Millham, Christopher Price.

■ Other market statistics, Page 23.

## FINANCIAL TIMES STOCK INDICES

| | Apr 27 | Apr 24 | Apr 23 | Apr 22 | Apr 21 | Year Ago | 1992 High | 1992 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs | 88.53 | 88.31 | 88.45 | 88.49 | 88.49 | 84.74 | 88.82 (15/4) | 86.11 (1/4) | 127.40 (9/1/35) | 49.18 (3/1/75) |
| Fixed Interest | 102.53 | 102.24 | 102.21 | 102.31 | 102.40 | 94.12 | 102.80 (16/4) | 97.15 (2/1) | 105.40 (28/11/47) | 50.53 (3/1/75) |
| Ordinary Share ● | 2073.7 | 2072.5 | 2042.7 | 2034.8 | 2047.6 | 1980.6 | 2073.7 (27/4) | 1851.4 (3/4) | 2108.3 (2/9/91) | 49.4 (26/6/40) |
| Gold Mines | 107.4 | 109.2 | 111.0 | 111.9 | 112.5 | 143.0 | 160.6 (10/1) | 107.4 (27/4) | 734.7 (15/2/83) | 43.5 (26/10/71) |
| FT-SE 100 Share | 2658.2 | 2643.0 | 2609.8 | 2607.8 | 2625.8 | 2498.2 | 2658.2 (27/4) | 2382.7 (3/4) | 2679.6 (2/9/91) | 986.9 (23/7/84) |
| FT-SE Eurotrack 200 | 1219.54 | 1213.35 | 1212.01 | 1213.46 | 1208.47 | 1158.59 | 1219.54 (27/4) | 1120.52 (8/1) | 1219.54 (27/4/92) | 938.62 (16/1/91) |
| ●Ord. Div. Yield | 4.39 | 4.41 | 4.47 | 4.48 | 4.45 | 4.91 | | | | |
| ●Earning Yld %(full) | 6.30 | 6.32 | 6.41 | 6.40 | 6.39 | 8.82 | | | | |
| ●P/E Ratio(Net)(☆) | 19.97 | 19.88 | 19.63 | 19.67 | 19.72 | 13.86 | | | | |
| SEAQ Bargns 5.00pm | 32,415 | 40,076 | 37,254 | 35,229 | 34,636 | 25,336 | | | | |
| Equity Turnover(£m)† | - | 1332.9 | 1422.3 | 1571.0 | 867.9 | 550.27 | | | | |
| Equity Bargains† | - | 44,367 | 45,023 | 46,374 | 30,359 | 21,869 | | | | |
| Shares Traded (ml)† | - | 530.7 | 579.9 | 613.3 | 361.3 | 321.5 | | | | |

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 18.62

Ordinary Share Index, Hourly changes — Day's High 2076.5 — Day's Low 2065.8

| Open | 9 am | 10 am | 11 am | 12 pm | 1 pm | 2 pm | 3 pm | 4 pm |
|---|---|---|---|---|---|---|---|---|
| 2065.8 | 2068.7 | 2068.6 | 2067.9 | 2070.1 | 2068.9 | 2071.7 | 2070.3 | 2073.4 |

FT-SE 100, Hourly changes — Day's High 2659.8 — Day's Low 2640.9

| Open | 9 am | 10 am | 11 am | 12 pm | 1 pm | 2 pm | 3 pm | 4 pm |
|---|---|---|---|---|---|---|---|---|
| 2640.9 | 2650.9 | 2648.6 | 2647.6 | 2648.5 | 2649.5 | 2653.9 | 2652.0 | 2657.7 |

FT-SE Eurotrack 200, Hourly changes — Day's High 1222.09 — Day's Low 1216.60

| Open | 10 am | 11 am | 12 pm | 1 pm | 2 pm | 3 pm |
|---|---|---|---|---|---|---|
| 1216.60 | 1217.26 | 1218.07 | 1218.30 | 1218.62 | 1220.50 | 1220.82 |

### GILT EDGED ACTIVITY

| Indices* | Apr 24 | Apr 23 |
|---|---|---|
| Gilt Edged Bargains | 91.6 | 101.7 |
| 5 – Day average | 100.2 | 111.7 |

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share Index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

## TRADING VOLUME IN MAJOR STOCKS

| | Volume 000's | Closing Price | Day's change | | Volume 000's | Closing Price | Day's change | | Volume 000's | Closing Price | Day's change | | Volume 000's | Closing Price | Day's change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ADT | 15 | 433 | -5 | Comm. Union | 641 | 468 | +8 | Lucas | 1,900 | 143 | +1 | Shell Transport | 2,800 | 471 | +7 |
| ASDA Group | 17,000 | 27½ | -1½ | Cookson | 1,000 | 150 | -½ | MB Caradon | 1,700 | 308 | +8 | Siebe | 121 | 700 | +2 |
| Abbey National | 4,400 | 308 | +4 | Courtaulds | 1,700 | 600 | -5 | MEPC | 533 | 343 | -8 | Slough Ests | 318 | 185 | -3 |
| Albert Fisher | 2,100 | 70 | +3 | Dalgety | 585 | 406 | +6 | Manweb | 873 | 385 | +6 | Smith (W.H.) A | 311 | 480 | +8 |
| Allied-Lyons | 1,700 | 653 | +4 | De La Rue | 421 | 585 | +15 | Marks & Spencer | 2,500 | 347 | +4 | Smith & Nephew | 750 | 154 | +1½ |
| [illegible] | | | | | | | | | | | | | | | |
| BAT Inds | 943 | 749 | +1 | Forte | 3,000 | 252 | | Northern Foods | 229 | 594 | +1 | Standard Chartd. | 425 | 483 | +4 |
| BET | 3,600 | 134 | +4 | Gen. Accident | 1,300 | 464 | +9 | Norweb | 737 | 530 | +7 | Storehouse | 3,200 | 137 | +6½ |
| BICC | 2,200 | 348 | -8 | General Elect. | 3,500 | 219 | | Pearson | 713 | 697 | +10 | Sun Alliance | 1,100 | 294 | +12 |
| BOC | 542 | 717 | +12 | Glaxo | 2,600 | 733 | +12 | P & O | 436 | 498 | +4 | T&N | 2,300 | 127 | +½ |
| BPB Inds | 1,000 | 186 | -1 | Glynwed Int. | 3,300 | 278 | -1 | Pilkington | 1,100 | 158 | | TI Group | 1,000 | 682 | +13 |
| BTR | 2,300 | 457 | +6 | Granada | 1,100 | 269 | -2 | PowerGen | 817 | 227 | -2 | TSB | 2,000 | 148 | +3 |
| Bank of Scotland | 992 | 119½ | +1½ | Grand Met | 2,500 | 474 | +1 | Prudential | 3,500 | 249 | +5 | Tarmac | 4,500 | 156 | +1½ |
| Barclays | 2,800 | 359 | +5 | GUS A | 249 | 1581 | -7 | RHM | 484 | 328 | -2 | Tate & Lyle | 1,300 | 413 | -5 |
| Bass | 1,400 | 627 | -2 | GRE | 1,600 | 147 | +2 | RMC | 399 | 650 | -2½ | Taylor Woodrow | 11,000 | 124 | +3½ |
| Berisford Intl. | 816 | 18½ | -½ | GKN | 380 | 398 | +3 | RTZ | 801 | 608 | +8 | Tesco | 5,600 | 291 | +2½ |
| Blue Circle | 2,100 | 273½ | +6 | Guinness | 1,700 | 598 | +2 | Racal | 1,300 | 62 | | Thames Water | 588 | 429 | -1 |
| Booker | 272 | 450 | -2 | Hammerson 'A' | 574 | 370 | -6 | Rank Org | 708 | 739 | +13 | Thorn EMI | 710 | 844 | +8 |
| Boots | 1,100 | 479 | -2 | Hanson | 2,400 | 235½ | +1 | Reckitt & Colman | 291 | 841 | -5 | Tomkins | 586 | 507 | +3 |
| Bowater | 61 | 813 | +3 | Hanson Warrants | 256 | 25½ | +1 | Redland | 744 | 555 | -4 | Trafalgar House | 1,800 | 156 | +1 |
| Brit. Aerospace | 8,800 | 355 | +10 | Harrisons Crosfield | 1,000 | 140 | -3 | Reed Intl. | 145 | 584 | +3 | Unigate | 374 | 334 | +1 |
| British Airways | 4,200 | 273 | +1 | Hillsdown | 6,400 | 197 | +3 | Rentokil | 121 | 415 | +1 | Unilever | 1,390 | 919 | -9 |
| British Gas | 7,000 | 269½ | +1½ | IMI | 295 | 282 | +2 | Reuters | 199 | 1157 | +8 | United Biscuits | 1,700 | 422 | -7 |
| British Land | 919 | 206 | -7 | ICI | 1,600 | 1373 | +9 | Rolls Royce | 2,300 | 169 | +2 | Utd. Newspapers | 1,000 | 418 | +6½ |
| BP | 7,600 | 256 | +9 | Inchcape | 334 | 513 | +6 | Rothmans | 313 | 1167 | +7 | Vodafone | 1,200 | 368 | |
| British Steel | 2,100 | 77 | | Kingfisher | 1,200 | 565 | +8 | Ryl Bk Scotland | 2,800 | 188 | +3 | Warburg (SG) | 517 | 593 | +10 |
| British Telecom | 2,800 | 348 | +4 | Kwik Save | 285 | 590 | -1 | Royal Insurance | 734 | 208 | +1 | Wellcome | 1,000 | 1015 | -17 |
| Br Telecom New | 13,000 | 128½ | +2½ | Ladbroke | 1,000 | 257 | -1 | Saatchi | 3,900 | 18½ | +¼ | Welsh Water | 360 | 430 | +2 |
| Bunzl | 964 | 106 | +2 | Land Securities | 749 | 431 | -3 | Sainsbury | 3,400 | 439 | -9 | Wessex Water | 539 | 481 | -1 |
| Burmah Castrol | 232 | 598 | +8 | Laporte | 412 | 841 | +8 | Scottish & New | 1,100 | 474 | +14 | Whitbread 'A' | 1,000 | 448 | -2 |
| Burton | 19,000 | 50½ | +3 | Legal & General | 825 | 382 | +9 | Scot. Hydro-Elect. | 2,400 | 178½ | -1 | Williams Hldgs. | 495 | 345 | +1 |
| Cable & Wire | 1,600 | 560 | -8 | Lloyds Abbey | 776 | 439 | +10 | Scottish Power | 3,000 | 173½ | -1 | Willis Corroon | 589 | 270 | +2 |
| Cadbury Schweppes | 2,600 | 463 | +5 | Lloyds Bank | 4,100 | 427 | +3 | Sears | 4,300 | 111 | +1 | Wimpey | 371 | 185 | |
| Calor Group | 35 | 189 | +2 | LASMO | 4,800 | 228 | -5 | Sedgwick | 108 | 221 | +4 | Wolseley | 19 | 485 | +5 |
| Carlton Comms | 548 | 638 | +5 | London Elect | 1,900 | 314 | | Seeboard | 1,600 | 320 | +4 | Yorkshire Elect. | 1,500 | 354 | -2 |
| Coats Viyella | 1,300 | 276 | | Lonrho | 1,200 | 88 | +6 | Severn Trent Water | 392 | 380 | | Yorkshire Water | 18 | 439 | |

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

## EQUITY FUTURES AND OPTIONS TRADING

TRADING in stock index futures was volatile with volume in the June contract meagre, writes Joel Kibazo.

Having opened at 2,697, June was soon squeezed forward, sending it to 2,697 by 9am when a 50-point premium over the cash market was recorded.

However, profit-taking coupled with the early dullness in both short sterling and the gilts market caused a retreat with June falling to 2,576 by mid-morning. Sporadic buying and selling continued into the afternoon, until a large buying order from BZW late in the session triggered a squeeze, sending June to 2,699, the high of the day. Finally, a sell-off in the dying minutes saw the contract relinquish some of the gains from the squeeze.

June closed at 2,690, just 2 ahead on Friday's close and 13 points above its estimated fair value premium to cash of about 18. Turnover reached 5,700 contracts.

In traded options, total volume returned to quieter levels reaching 32,075 by the close. Turnover in the FT-SE 100 option reached 9,627 lots, with the Euro FT-SE option reaching a mere 1,223 lots in total. British steel was the top traded stock option with a day's total of 2,165 lots, the July 90 calls particularly busy.

## FT-ACTUARIES SHARE INDICES



| EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section | Mon Apr 27 Index No. | Day's Change % | Est. Earnings Yield% (Max.) | Gross Div. Yield% (Act at (25%) | Est. P/E Ratio (Net) | xd adj. 1992 to date | Fri Apr 24 Index No. | Thu Apr 23 Index No. | Wed Apr 22 Index No. | Year ago (approx) Index No. |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 CAPITAL GOODS (179) | 884.48 | +0.3 | 6.99 | 5.26 | 18.64 | 14.30 | 881.56 | 870.45 | 864.89 | 846.55 |
| 2 Building Materials (22) | 1114.19 | -0.3 | 5.57 | 5.31 | 25.22 | 18.61 | 1117.99 | 1095.66 | 1086.78 | 1083.38 |
| 3 Contracting, Construction (28) | 1019.05 | -0.1 | 6.05 | 5.94 | 25.71 | 22.00 | 1020.04 | 1012.59 | 998.32 | 1316.89 |
| 4 Electricals (8) | 2644.50 | -2.3 | 7.00 | 5.58 | 18.57 | 68.82 | 2707.71 | 2640.38 | 2604.65 | 2356.80 |
| 5 Electronics (29) | 1919.95 | +0.4 | 9.40 | 4.43 | 13.49 | 4.21 | 1912.31 | 1890.35 | 1874.44 | 1811.90 |
| 6 Engineering-Aerospace (7) | 391.08 | +1.3 | 8.97 | 6.64 | 14.14 | 10.89 | 386.25 | 385.00 | 378.84 | 444.22 |
| 7 Engineering-General (44) | 531.79 | +0.7 | 7.93 | 4.43 | 15.63 | 7.37 | 528.25 | 522.67 | 524.89 | 450.59 |
| 8 Metals and Metal Forming (8) | 356.70 | +0.1 | 1.31 | 9.71 | - | 0.32 | 356.30 | 354.08 | 351.66 | 466.70 |
| 9 Motors (14) | 362.80 | ...... | 7.36 | 6.48 | 17.85 | 9.96 | 362.72 | 356.03 | 350.49 | 350.51 |
| 10 Other Industrial Materials (19) | 1785.74 | +0.8 | 6.89 | 4.64 | 17.56 | 33.24 | 1770.89 | 1751.71 | 1747.22 | 1518.14 |
| 21 CONSUMER GROUP (188) | 1713.22 | +0.5 | 7.02 | 3.32 | 17.44 | 14.22 | 1705.15 | 1684.74 | 1685.33 | 1452.72 |
| 22 Brewers and Distillers (24) | 2180.40 | +0.4 | 7.41 | 3.34 | 16.25 | 16.80 | 2171.55 | 2115.93 | 2087.09 | 1784.54 |
| 25 Food Manufacturing (17) | 1284.53 | -0.2 | 8.42 | 4.08 | 14.69 | 17.10 | 1287.52 | 1281.72 | 1280.57 | 1182.33 |
| 26 Food Retailing (18) | 2875.87 | -1.0 | 8.00 | 3.00 | 16.19 | 18.63 | 2905.46 | 2876.64 | 2857.59 | 2710.49 |
| 27 Health and Household (24) | 4070.80 | +1.2 | 6.78 | 2.61 | 16.82 | 30.61 | 4024.28 | 4009.23 | 4119.36 | 3259.33 |
| 29 Hotels and Leisure (20) | 1420.70 | +0.1 | 6.01 | 4.80 | 21.48 | 23.10 | 1419.19 | 1408.95 | 1398.28 | 1339.38 |
| 30 Media (25) | 1634.21 | +0.8 | 5.89 | 3.36 | 21.17 | 17.30 | 1620.89 | 1604.60 | 1596.66 | 1459.46 |
| 31 Packaging, Paper & Printing (17) | 847.05 | +1.1 | 6.34 | 3.90 | 18.63 | 10.45 | 838.16 | 821.19 | 801.86 | 665.78 |
| 34 Stores (33) | 1135.66 | +0.9 | 6.47 | 3.19 | 20.53 | 2.69 | 1125.45 | 1105.34 | 1096.20 | 918.47 |
| 35 Textiles (10) | 737.48 | +0.2 | 6.44 | 4.21 | 19.63 | 3.32 | 735.97 | 738.92 | 733.73 | 532.00 |
| 40 OTHER GROUPS (116) | 1305.15 | +0.4 | 9.27 | 4.97 | 13.60 | 13.84 | 1300.56 | 1287.30 | 1284.48 | 1212.79 |
| 41 Business Services (17) | 1428.28 | +1.1 | 7.01 | 4.43 | 18.23 | 13.18 | 1412.70 | 1403.31 | 1395.99 | 1201.47 |
| 42 Chemicals (22) | 1602.53 | +0.7 | 6.48 | 4.54 | 18.88 | 24.16 | 1591.75 | 1577.17 | 1573.95 | 1273.78 |
| 43 Conglomerates (11) | 1451.88 | +0.7 | 9.69 | 6.93 | 12.63 | 9.34 | 1441.63 | 1429.47 | 1430.93 | 1567.05 |
| 44 Transport (14) | 2569.52 | -0.1 | 4.95 | 4.42 | 27.19 | 20.47 | 2572.00 | 2541.11 | 2508.15 | 2175.69 |
| 45 Electricity (16) | 1263.08 | -0.3 | 13.91 | 5.15 | 9.38 | 17.21 | 1266.75 | 1256.15 | 1276.13 | 1163.19 |
| 46 Telephone Networks (4) | 1441.06 | +0.5 | 10.88 | 4.35 | 12.00 | 16.02 | 1433.79 | 1411.82 | 1401.46 | 1449.43 |
| 47 Water (10) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 48 Miscellaneous (22) | 2027.53 | +0.3 | 5.91 | 4.86 | 22.33 | 20.93 | 2021.76 | 1983.47 | 1967.84 | 1874.47 |
| 49 INDUSTRIAL GROUP (483) | 1377.85 | +0.4 | 7.72 | 4.20 | 16.21 | 14.44 | 1372.24 | 1356.48 | 1354.10 | 1231.00 |
| 51 Oil & Gas (17) | 2096.16 | +1.2 | 7.27 | 6.78 | 18.10 | 53.06 | 2072.11 | 2062.02 | 2093.86 | 2462.52 |
| 59 500 SHARE INDEX (500) | 1447.00 | +0.5 | 7.47 | 4.46 | 16.38 | 17.34 | 1440.82 | 1424.44 | 1424.42 | 1334.66 |
| 61 FINANCIAL GROUP (87) | 759.54 | +1.1 | - | 5.97 | - | 16.40 | 751.46 | 738.13 | 725.90 | 812.74 |
| 62 Banks (9) | 967.37 | +1.1 | 4.88 | 5.64 | 32.52 | 22.89 | 956.69 | 932.66 | 919.98 | 906.04 |
| 65 Insurance (Life) (6) | 1502.04 | +1.9 | - | 5.93 | - | 44.26 | 1474.35 | 1469.92 | 1452.52 | 1500.15 |
| 66 Insurance (Composite) (7) | 513.09 | +1.4 | - | 6.78 | - | 13.46 | 506.24 | 499.50 | 481.37 | 674.08 |
| 67 Insurance (Brokers) (10) | 985.37 | +0.9 | 7.83 | 6.80 | 16.87 | 20.48 | 976.56 | 954.75 | 936.81 | 1124.08 |
| 68 Merchant Banks (7) | 509.00 | +2.3 | - | 4.07 | - | 4.25 | 497.67 | 491.73 | 491.15 | 423.49 |
| 69 Property (33) | 706.83 | +0.5 | 7.69 | 6.43 | 18.21 | 6.50 | 710.17 | 699.16 | 685.78 | 998.09 |
| 70 Other Financial (15) | 250.71 | +0.8 | 8.05 | 6.89 | 16.33 | 3.12 | 248.78 | 248.37 | 246.92 | 290.39 |
| 71 Investment Trusts (70) | 1223.15 | +0.2 | - | 3.64 | - | 11.14 | 1221.32 | 1220.21 | 1211.63 | 1209.29 |
| 99 ALL-SHARE INDEX (657) | 1282.70 | +0.5 | - | 4.61 | - | 16.72 | 1275.75 | 1261.24 | 1258.58 | 1207.77 |

| | Index No. | Day's Change | Day's High (a) | Day's Low (b) | Apr 24 | Apr 23 | Apr 22 | Apr 21 | Apr 20 | Year ago |
|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 SHARE INDEX ♦ | 2658.2 | +15.2 | 2659.8 | 2640.9 | 2643.0 | 2609.8 | 2607.8 | 2625.8 | 2638.6 | 2498.2 |

♦Opening Index 2640.9; 9 am 2650.9; 10 am 2648.6; 11 am 2647.6; Noon 2648.5; 1 pm 2649.5; 2 pm 2653.9; 2.30 pm 2653.2; 3 pm 2652.0; 4 pm 2657.7; 4.10 pm 2659.8 (a) 4.12pm (b) 8.30am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323.

## FIXED INTEREST

| PRICE INDICES | Mon Apr 27 | Day's change % | Fri Apr 24 | Accrued interest | xd adj. 1992 to date |
|---|---|---|---|---|---|
| British Government | | | | | |
| 1 Up to 5 years (27) | 122.07 | +0.08 | 121.97 | 1.72 | 4.28 |
| 2 5-15 years (25) | 137.40 | +0.33 | 136.95 | 1.94 | 5.45 |
| 3 Over 15 years (9) | 150.04 | +0.54 | 149.23 | 2.97 | 2.78 |
| 4 Irredeemables (6) | 163.12 | +0.53 | 166.84 | -0.14 | 6.11 |
| 5 All stocks (67) | 135.25 | +0.27 | 134.92 | 1.72 | 4.85 |
| Index-Linked | | | | | |
| 6 Up to 5 years (2) | 169.11 | +0.03 | 169.05 | 0.29 | 1.83 |
| 7 Over 5 years (9) | 145.90 | +0.02 | 145.86 | 0.68 | 1.64 |
| 8 All stocks (11) | 147.97 | +0.03 | 147.93 | 0.62 | 1.65 |
| 9 Debs & Loans (65) | 119.32 | +0.80 | 119.05 | 2.03 | 4.09 |

| AVERAGE GROSS REDEMPTION YIELDS | | Mon Apr 27 | Fri Apr 24 | Year ago (approx.) |
|---|---|---|---|---|
| British Government | | | | |
| 1 Low | 5 years | 8.37 | 8.40 | 9.21 |
| 2 Coupons | 15 years | 9.03 | 9.09 | 9.72 |
| 3 (0%-7¾%) | 20 years | 9.03 | 9.09 | 9.84 |
| 4 Medium | 5 years | 9.39 | 9.36 | 10.13 |
| 5 Coupons | 15 years | 9.08 | 9.14 | 10.13 |
| 6 (8%-10¾%) | 20 years | 9.04 | 9.11 | 10.08 |
| 7 High | 5 years | 9.55 | 9.58 | 10.46 |
| 8 Coupons | 15 years | 9.19 | 9.26 | 10.32 |
| 9 (11%-) | 20 years | 9.13 | 9.20 | 10.27 |
| 10 Irredeemables | | 9.15 | 9.29 | 10.04 |
| Index-Linked | | | | |
| 11 Inflation rate 5% | Up to 5yrs | 4.02 | 4.02 | 3.83 |
| 12 Inflation rate 5% | Over 5 yrs | 4.53 | 4.53 | 4.13 |
| 13 Inflation rate 10% | Up to 5 yrs | 3.51 | 3.31 | 2.96 |
| 14 Inflation rate 10% | Over 5 yrs | 4.35 | 4.34 | 3.94 |
| 15 Debs & Loans | 5 years | 10.69 | 10.76 | 11.87 |
| 16 | 15 years | 10.49 | 10.57 | 11.64 |
| 17 | 25 years | 10.35 | 10.43 | 11.43 |

## NEW HIGHS AND LOWS FOR 1992

[illegible]

## LONDON SHARE SERVICE

### BRITISH FUNDS

[illegible]

### BRITISH FUNDS - Cont.

[illegible]

### OTHER FIXED INTEREST

[illegible]



## LEGAL NOTICES

NOTICE TO CREDITORS TO SUBMIT CLAIMS.

IN THE MATTER OF SIBEC (CHESTER) LIMITED AND IN THE MATTER OF THE INSOLVENCY ACT 1986

[illegible]

## AMERICANS

| Notes | Price £ | + or - | 1992 high | 1992 low | Mkt Cap£m | Yld Gr's |
|---|---|---|---|---|---|---|
| Abbott Labs | 35xd | -[illegible] | 38[illegible] | 34 | 14,884 | 1.9 |
| ♥Allegheny & W. | 250p | -8 | 335p | 228p | 125.1 | 6.5 |
| Amdahl | 929p | +21 | 1159p | 815p | 1,831 | 0.6 |
| Amer Cyanamid | 34[illegible] | -[illegible] | 37 | 32¼ | 3,182 | 2.7 |
| Amer Express | 12¾xd | -½ | 13[illegible] | 10[illegible] | 6,028 | 4.4 |
| Amer T & T | 24½xd | -[illegible] | 24⅞ | 20[illegible] | 32,382 | 3.0 |
| Ameritech | 35[illegible] | -[illegible] | 38[illegible] | 32½ | 15,379 | 5.6 |
| Bank America | 28xd | -[illegible] | 28[illegible] | 19[illegible] | 8,592 | 2.6 |
| Bankers NY | 32[illegible]xd | -[illegible] | 37¼ | 28[illegible] | 2,888 | 8.4 |
| Bell Atlantic | 24[illegible] | — | 26¼ | 23[illegible] | 9,884 | 5.9 |
| BellSouth | 27¼ | -¼ | 29[illegible] | 25 | 13,282 | 5.7 |
| ♥Bethlehem Steel | 8[illegible]xd | — | 9[illegible] | 7 | 628.6 | — |
| Bowater | 1280pxd | +10 | 1579p | 1078p | 458.8 | 5.3 |
| CPC | 47[illegible]xd | -½ | 51[illegible] | 45[illegible] | 3,585 | 2.8 |
| California Engy | 671p | — | 833p | 646p | 122.2 | — |
| Campbell Soup | 18¾ | -¼ | 23[illegible] | 18¾ | 4,713 | 2.3 |
| Chase Manhattan | 14[illegible]xd | -[illegible] | 15[illegible] | 9[illegible] | 2,091 | 4.5 |
| Chrysler | 10[illegible]xd | -[illegible] | 11 | 6[illegible] | 3,050 | 3.2 |
| Citicorp | 10[illegible]xd | -[illegible] | 11 | 5[illegible] | 3,657 | — |
| Colgate-Palm | 28xd | -¼ | 28[illegible] | 25¼ | 4,387 | 2.1 |
| Cont'l Bank | 1014p | — | 1038p | 499p | 1,024 | 3.3 |
| Dana | 23[illegible]xd | -[illegible] | 24½ | 14[illegible] | 984.1 | 3.8 |
| Data General | 490p | -8 | 1004p | 491p | 137.7 | — |
| Dial | 19[illegible]xd | -[illegible] | 24[illegible] | 19[illegible] | 789.1 | 3.2 |
| Dun & Brad | 30[illegible] | +[illegible] | 33½ | 28[illegible] | 5,465 | 4.2 |
| Eaton | 44 | -1[illegible] | 48½ | 32½ | 1,490 | 2.8 |
| Echlin | 10[illegible]xd | +[illegible] | 11 | 7[illegible] | 572.4 | 3.8 |
| FPL | 19[illegible]xd | +¼ | 19[illegible] | 18[illegible] | 3,328 | 6.9 |
| Fluor | 23[illegible]xd | -[illegible] | 27 | 21 | 1,925 | 0.9 |
| Ford Motor | 24[illegible]xd | -[illegible] | 24⅞ | 15 | 11,588 | 2.3 |
| Gen Elect | 42[illegible]xd | -¼ | 46[illegible] | 40[illegible] | 37,049 | 2.7 |
| ♥General Host | 450p | — | 555p | 380p | — | 4.4 |
| Gillette | 26½xd | — | 29[illegible] | 26½ | 5,784 | 1.3 |
| Hasbro h | 14[illegible] | -¼ | 16 | 12[illegible] | 1,225 | 0.5 |
| Honeywell | 40[illegible]xd | +[illegible] | 43 | 34[illegible] | 2,858 | 2.3 |
| Houston Inds | 24[illegible] | — | 24⅞ | 23 | 3,190 | 8.7 |
| IBM | 49[illegible]xd | -½ | 54½ | 46[illegible] | 28,463 | 5.5 |
| Ingersoll-Rand | 34[illegible]xd | -[illegible] | 38[illegible] | 28[illegible] | 1,811 | 2.1 |
| Lockheed | 28[illegible] | — | 25⅞ | 22[illegible] | 1,639 | 4.3 |
| Lowe's | 2188p | -30 | 2478p | 1631p | 798.7 | 1.4 |
| Merrill Lynch | 27[illegible]xd | +[illegible] | 39[illegible] | 27 | 2,788 | 2.1 |
| Morgan (JP) | 38[illegible]xd | -[illegible] | 37½ | 29[illegible] | 5,788 | 4.0 |
| Morris (Philip) | 42[illegible]xd | -[illegible] | 49[illegible] | 41[illegible] | 39,894 | 2.8 |
| NYNEX | 42½ | -[illegible] | 44[illegible] | 39[illegible] | 8,828 | 6.1 |
| ♥Pac Agric | 57p | — | 57p | 28p | — | — |
| Pall | 15½ | +¼ | 17[illegible] | 10[illegible] | 1,359 | 1.3 |
| Pennzoil | 25[illegible]xd | +[illegible] | 30[illegible] | 25[illegible] | 1,927 | 6.7 |
| Quaker Oats | 29[illegible]xd | -¼ | 40[illegible] | 28[illegible] | 3,089 | 3.3 |
| Rockwell | 13[illegible]xd | -[illegible] | 15[illegible] | 13[illegible] | 3,089 | 3.8 |
| Rep NY | 22[illegible] | -¼ | 28[illegible] | 22[illegible] | 1,167 | 2.5 |
| Sears, Roebuck | 24[illegible]xd | -[illegible] | 28 | 19[illegible] | 8,580 | 4.5 |
| Sthwestern Bell | 35[illegible] | — | 35[illegible] | 32[illegible] | 10,589 | 4.7 |
| Sun Co | 15[illegible]xd | +[illegible] | 16[illegible] | 15[illegible] | 1,850 | 6.6 |
| Tenneco | 24[illegible]xd | +[illegible] | 24[illegible] | 16[illegible] | 3,048 | 3.6 |
| Texaco | 34[illegible]xd | +[illegible] | 35[illegible] | 30[illegible] | 8,870 | 5.2 |
| Time Warner | 58[illegible]xd | -[illegible] | 62[illegible] | 46½ | 5,438 | 1.0 |
| ♥Unifab | 440p | — | 587p | 440p | 488.7 | — |
| Utd Tech | 29[illegible]xd | -[illegible] | 31[illegible] | 27 | 3,641 | 3.4 |
| ♥Unitech | 117p | — | 122p | 66p | — | — |
| URS Intl. 1c | 0¾p | — | 1¼p | 0[illegible]p | 2.38 | — |
| US West | 20 | -¼ | 27[illegible] | 18[illegible] | 4,198 | 6.0 |
| Varity | 774p | -22 | 895p | 632p | 193.2 | — |
| Waste Manage | 22[illegible]xd | -[illegible] | 28 | 20[illegible] | 18,548 | 1.1 |
| Whirlpool | 2803pxd | -9 | 2789p | 2021p | 1,809 | 2.4 |
| ♥Woolworth | 18¼ | — | 18¼ | 14[illegible] | 2,119 | 3.7 |

## CANADIANS

## BANKS

## BREWERS & DISTILLERS

## BUILDING MATERIALS

## BUILDING MATERIALS - Cont.

## BUSINESS SERVICES

## CHEMICALS

## CONGLOMERATES

## CONTRACTING & CONSTRUCTION

## CONTRACTING & CONSTRUCTION - Cont.

## ELECTRICALS

## ELECTRICITY

## ELECTRONICS

## ENGINEERING - AEROSPACE

## ENGINEERING - GENERAL

## ENGINEERING - GENERAL - Cont.

## FOOD MANUFACTURING

## FOOD RETAILING

## HEALTH & HOUSEHOLD

## HOTELS & LEISURE

## INSURANCE BROKERS

## INSURANCE COMPOSITE

## INSURANCE LIFE

## INVESTMENT TRUSTS

## INVESTMENT TRUSTS - Cont.

## INVESTMENT TRUSTS - Cont.

| | Notes | Price | + or - | 1992 high | 1992 low | Yld Gr's | NAV | Dis or Pm(-) |
|---|---|---|---|---|---|---|---|---|
| Scot National Inc | | 87 | — | 107 | 83½ | 12.2 | — | — |
| Cap | | 32 | +1 | 42 | 12½ | — | 48.6 | 33.5 |
| Stepped Pf | † | 136¼ | — | 136¼ | 128 | 5.1 | — | — |
| Zero Div Pf | | 178 | +1 | 178 | 166½ | — | — | — |
| Warrants | | 6½ | — | 9 | 3½ | — | — | — |
| Scot Value | a | 58½ | — | 58½ | 45 | 2.8 | 62.8 | 7.3 |
| Sec Alliance | † | 1220 | +5 | 1220 | 1135 | 3.3 | 1362.2 | 10.4 |
| Second Market | s | 238 | — | 238 | 222 | 0.6 | 278.1 | 14.5 |
| Sec Tst Scot | | 72 | — | 75 | 63 | 6.2 | 74.2 | 3.6 |
| Select Assets | | 101 | — | 102½ | 98 | 1.2 | 131.7 | 23.3 |
| Eq Ind Sert | | 119 | — | 119 | 109 | 4.8 | — | — |
| Eq Ind Serb | | 119 | — | 119 | 109 | 4.8 | — | — |
| Shires | † | 234 | +1 | 234 | 195 | 10.1 | 239.2 | 2.2 |
| 11pc Cv Ln '03/04 | | £112½ | — | £112½ | £95½ | 9.8 | — | — |
| Siam Select | | 85 | — | 91 | 66 | 1.6 | 100.8 | 14.6 |
| Warrants | | 18 | — | 21 | 17 | — | — | — |
| Smaller Cos | | 76 | — | 78 | 67 | 4.4 | 85.7 | 11.3 |
| Warrants | | 13 | — | 15 | 10 | — | — | — |
| Sphere Inc | N | 18½xd | -¼ | 20 | 14¾ | 31.3 | 22.8 | 23.3 |
| Zero Div Pf | | 71¾ | +1 | 71¾ | 65¾ | — | — | — |
| Warrants | | 0¾ | — | 3½ | 0¼ | — | — | — |
| Stratton | | 154 | — | 158 | 147 | 1.5 | 186.9 | 17.6 |
| Susst | | 49 | — | 52 | 38 | 3.9 | 109.3 | 60.7 |
| TR City of Lon | M | 117 | — | 117½ | 97½ | 6.4 | 117.2 | 0.2 |
| TR Euro Growth | s | 85 | — | 89 | 83 | 1.6 | 99.1 | 14.2 |
| Ptg Sub | s | 50 | — | 54 | 50 | 2.7 | — | — |
| TR Far East Inc | M | 92 | -1 | 94 | 76 | 6.5 | 100.4 | 8.3 |
| Warrants | | 16 | — | 16 | 12 | — | — | — |
| TR High Inc | | 99 | — | 100 | 91 | 8.1 | 99.2 | 0.2 |
| Sub | g | 30 | — | 35 | 28 | 6.7 | — | — |

## MERCHANT BANKS

| | Notes | Price | + or - |
|---|---|---|---|
| Ansbacher (H) | | 25 | [illegible] |
| Barings 8pc Cu 2nd Pf | | 90½ | [illegible] |
| 9¾pc Non-Cum Pf | | 113¼ | [illegible] |
| Brown Shipley | | 134 | [illegible] |
| Close Bros | † | 269 | [illegible] |
| Hambros | † | 231 | [illegible] |
| 7½pc Cv Pf | | 114 | [illegible] |
| Joseph (L) | | 338 | [illegible] |
| Kleinwort Benson | | 285 | [illegible] |
| Rea Bros | | 93xd | [illegible] |
| Schroders | | 1270 | [illegible] |
| N/V | | 1071 | [illegible] |
| Singer & Fried | | 48 | [illegible] |
| Warburg (SG) | † | 565 | [illegible] |
| 8pc Cv Pf | | 197 | [illegible] |
| Wintrust | | 215 | [illegible] |

## METALS & METAL FORMING

## MISCELLANEOUS

## INVESTMENT COMPANIES

## MEDIA

## MOTORS

## OIL & GAS

## OIL & GAS - Cont.

## OTHER FINANCIAL

## OTHER INDUSTRIAL MATERIALS

## PACKAGING, PAPER & PRINTING

## PACKAGING, PAPER & PRINTING - Cont.

## PROPERTY

## STORES

## STORES - Cont.

## TELEPHONE NETWORKS

## TEXTILES

## TRANSPORT

## WATER

## SOUTH AFRICANS

## PLANTATIONS

## MINES

## MINES - Cont.

| | Notes | Price | + or - | 1992 high | 1992 low | Mkt Cap £m | Yld Gr's |
|---|---|---|---|---|---|---|---|
| Kenmare | | 3¼ | — | 6½ | 3½ | 3.60 | — |
| Melinga Res | | 34 | — | 34 | 31½ | 3.75 | — |
| Navan Res IE | | 23½ | — | 26 | 16 | 3.15 | — |
| Northgate Expl C$ | s | 34½ | — | 45⅞ | 34 | 4.35 | — |
| North West Expl A$ | | 3 | — | 6 | 2 | 1.81 | — |
| Oryx Gold S | | 84 | — | 108 | 51 | — | — |
| Ovoca Res IE | | 6 | — | 11 | 5½ | 0.42 | — |
| Plateau | | 8½ | — | 13 | 8 | 3.87 | — |
| RTZ | | 608 | +8 | 608 | 469 | 6,066 | 4.3 |
| Vizcaya | | 1 | -¼ | 3 | 1 | 0.53 | — |
| Western & Pac C$ | | 78 | -5 | 88 | 7 | 42.8 | — |
| Young Grp | | 23 | — | 110 | 4 | 3.45 | 15.1 |

## GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- [illegible] Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks which are quoted on SEAQ International
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- [illegible] Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- [illegible] Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ✦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement
- ♠ Unregulated collective investment scheme

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Subject to local tax.
z Dividend yield includes a special payment
E Minimum tender price.
F Yield based on prospectus or other official estimates for 1990-91
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1991.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1991-92.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1991.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date

Abbreviations:
xd ex dividend
xc ex scrip issue
xr ex rights
xa ex all
xc ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

# FT MANAGED FUNDS SERVICE

● *Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.*

## AUTHORISED UNIT TRUSTS

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| **AIB Unit Trust Managers Limited (1000)F** | | | | | | |
| 51 Belmont Rd Uxbridge, Middx UB8 1RZ 0895 259783 | | | | | | |
| AIB Grofund American | 5 | 116.9 | 118.2 | 124.4 | -0.40 | 0.00 |
| AIB Grofund Equity | 5 | 183.2 | 186.5 | 196.3 | +3.10 | 2.23 |
| AIB Grofund Euro | 5 | 133.1 | 135.0 | 142.1 | -1.00 | 0.61 |
| AIB Grofund Gilt | 3 | 72.20 | 72.47 | 74.71 | +0.15 | 8.80 |
| AIB Grofund Japan | 5 | 103.9 | 105.1 | 110.6 | +0.70 | 0.00 |
| **Abbey Unit Tst Mngrs (1000)H** | | | | | | |
| 80 Holdenhurst Rd, Bournemouth 0345 717373 | | | | | | |
| High Income | | | | | | |
| Gilts & Fixed Int | 6 | 119.4 | 119.4xd | 126.6 | ..... | 8.10 |
| High Inc Equity | 6 | 131.4 | 134.5xd | 143.0 | +1.9 | 5.94 |
| Worldwide Bond | 6 | 215.1 | 215.1 | 228.0 | -0.5 | 6.24 |
| Capital Growth | | | | | | |
| American Growth | 6 | 206.6 | 206.6 | 220.9 | -1.5 | 1.01 |
| Asian Pacific | 6 | 141.7 | 144.6 | 153.8 | +0.5 | 1.39 |
| Assets & Earnings | 6 | 193.4 | 197.4 | 209.9 | +3.7 | 2.91 |
| Capital Reserve Acc | 0 | 114.2 | 114.2 | 114.2 | -0.1 | 7.86 |
| Capital Reserve Inc | 0 | 84.50 | 84.50xd | 84.50 | -0.05 | 7.86 |
| Cmdty & Energy | 6 | 65.48 | 65.48xd | 70.03 | +0.02 | 1.51 |
| 1992 Enterprise | 6 | 71.04 | 71.04 | 75.97 | +0.80 | 2.87 |
| Euro Capital Acc | 6 | 89.97 | 89.97 | 96.22 | -0.79 | 1.08 |
| Euro Capital Inc | 6 | 85.26 | 85.26xd | 91.18 | -0.70 | 1.10 |
| General | 6 | 178.8 | 178.8 | 191.2 | +2.8 | 3.03 |
| Japan | 6 | 72.99 | 72.99 | 78.06 | +0.34 | - |
| Mastertrust | 6 | 89.60 | 89.60 | 95.82 | +0.62 | 2.45 |
| UK Growth Acc | 6 | 171.0 | 178.6 | 189.9 | +1.6 | 2.42 |
| UK Growth Dist | 6 | 108.0 | 112.8xd | 119.9 | +1.0 | 2.48 |
| US Emerging Cos | 6 | 71.14 | 71.14 | 76.08 | -0.39 | - |
| Income & Growth | 6 | 315.7 | 315.7 | 337.6 | +4.2 | 4.15 |
| Ethical | 6 | 57.05 | 58.45 | 62.18 | +0.59 | 2.93 |
| International | 5 | 60.53 | 61.42 | 65.34 | +0.01 | 1.62 |
| Dividend & Growth | 6 | 49.86 | 51.01 | 54.26 | +0.75 | 5.53 |
| Global Gwth & Sec | 6 | 53.91 | 54.21 | 57.66 | +0.08 | 2.67 |
| **Aberforth Unit Trust Managers Ltd (1600)F** | | | | | | |
| 14 Chester St, Edinburgh EH3 7RA 031 220 0733 | | | | | | |
| UK Small Cos | 0 | 1105.0 | 1105.0 | 1170.0 | | - |
| **Abtrust Unit Trust Managers Ltd (1200)H** | | | | | | |
| 10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580 | | | | | | |
| **Brewin Dolphin Unit Tst Mgrs Ltd (0905)F** | | | | | | |
| 5 Giltspur St, London EC1A 9DE 071-236 6441 | | | | | | |
| Dolphin Special Sits | 5½ | 113.6 | 113.6 | 121.4 | -0.6 | 3.66 |
| Dolphin Dividend | 5½ | 62.02 | 62.83 | 67.19 | +0.08 | 5.56 |
| Dolphin Int Gth & Inc | 5½ | 158.9 | 158.9 | 169.9 | +2.1 | 4.33 |
| Dolphin UK & Gen | 5½ | 38.09 | 38.29 | 40.95 | +0.06 | 2.06 |
| Dolphin Fnd of Fnds | 5½ | 47.17 | 49.31xd | 52.73 | +0.04 | 1.80 |
| **Britannia Life Unit Managers Ltd (1200)F** | | | | | | |
| 190 West George St, Glasgow G2 2PA 041-332 3132 | | | | | | |
| Balanced Growth | 6 | 82.63 | 83.95xd | 89.79 | +0.96 | 2.87 |
| Do (Accum) | 6 | 89.17 | 90.60 | 96.90 | +1.02 | 2.87 |
| Smaller Cos | 6 | 67.07 | 67.07xd | 71.73 | +0.51 | 1.87 |
| Do (Accum) | 6 | 71.23 | 71.23 | 76.18 | +0.54 | 1.87 |
| Higher Yield | 6 | 33.25 | 33.25xd | 35.56 | +0.33 | 5.25 |
| Do (Accum) | 6 | 43.77 | 43.77 | 46.82 | +0.44 | 5.25 |
| American Gth Inc | 6 | 38.75 | 38.75 | 41.44 | -0.63 | 0.00 |
| Do (Accum) | 6 | 39.49 | 39.49 | 42.23 | -0.65 | 0.00 |
| European Growth | 5½ | 84.86 | 84.86xd | 90.76 | -0.71 | 2.15 |
| Do (Accum) | 5½ | 84.86 | 84.86 | 90.76 | -0.71 | 2.15 |
| Global Bond Inc | 6 | 23.38 | 23.43xd | 25.06 | +0.01 | 5.16 |
| Do (Accum) | 6 | 28.01 | 28.07 | 30.03 | +0.01 | 5.16 |
| Managed P'folio Inc | 6 | 26.76 | 26.85xd | 28.72 | -0.01 | 0.00 |
| (Do Accum) | 6 | 26.76 | 26.85 | 28.72 | -0.01 | 0.00 |
| Pacific Growth Accum | 5½ | 64.95 | 64.95xd | 69.46 | +0.08 | - |
| Intl Spec Opps Accum | 5½ | 62.37 | 62.37 | 66.71 | +0.11 | - |
| **Brown Shipley & Co Ltd (1000)F** | | | | | | |
| 9-17 Perrymount Rd Haywards Hth 0444 412262 | | | | | | |
| Mngd P'folio Inc | 6 | 78.54 | 78.54 | 83.65 | +0.14 | 2.49 |
| Mngd P'folio Acc | 6 | 145.8 | 145.8 | 155.3 | +0.20 | - |
| UK General | 6 | 122.0 | 122.0xd | 129.9 | +1.90 | 3.90 |
| Conv & General | 6 | 17.63 | 17.63xd | 18.78 | +0.08 | 8.22 |
| European Inc | 6 | 20.44 | 20.44 | 22.01 | .... | 0.51 |
| European Acc | 6 | 20.99 | 20.99 | 22.60 | -0.01 | - |
| Financial | 6 | 89.48 | 89.48 | 95.30 | +0.60 | 2.01 |
| Foundation | 6 | 62.60 | 64.29xd | 68.47 | +0.70 | 4.10 |
| German | 6 | 36.08 | 36.08 | 38.86 | -0.37 | 0.10 |
| Growth Inc (25-1) | 5 | 24.02 | 25.10 | 26.73 | +0.30 | 1.46 |
| Growth Acc (25-1) | 5 | 28.48 | 28.56 | 30.42 | +0.46 | - |
| High Income | 6 | 60.65 | 61.26xd | 65.43 | +0.60 | 6.09 |
| Income | 6 | 101.1 | 101.1xd | 108.0 | +1.20 | 5.02 |
| Intl Income | 6 | 77.87 | 77.87 | 82.93 | +0.34 | 5.81 |
| Intl Growth | 6 | 26.90 | 26.90 | 28.65 | -0.03 | 0.27 |
| Monthly Income | 6 | 57.98 | 60.03 | 63.95 | +0.62 | 5.27 |
| North American | 6 | 80.12 | 80.12 | 86.11 | -0.40 | 0.25 |
| Orient | 6 | 75.72 | 75.72 | 81.49 | +0.27 | - |
| Recovery | 6 | 29.53 | 29.53 | 31.45 | +0.25 | 3.75 |
| Smaller Cos Acc | 6 | 196.3 | 196.3 | 209.1 | +1.10 | - |
| Smaller Cos Inc | 6 | 116.3 | 116.3xd | 123.9 | +0.70 | 1.86 |
| **Brycourt Unit Tst Mgmt Ltd (1400)F** | | | | | | |
| Hesketh Hse, Portman Sq, W1H 0JR 071-935 6382 | | | | | | |
| Income Growth | 1 | 178.5 | 178.5xd | 184.0 | | 7.12 |

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| **Marlborough Fund Managers Ltd (1630)F** | | | | | | |
| 57 Victoria Square, Bolton, BL1 1LA 0204 364842 | | | | | | |
| Managed Tst | 5 | 51.43 | 51.70 | 55.00 | .... | 5.49 |
| **Martin Currie Unit Trusts Ltd (0905)H** | | | | | | |
| Saltire Crt, 20 Castle Terrace, Edinburgh 031 479 4646 | | | | | | |
| Far East (Pacific) | 5½ | 95.17 | 95.17 | 101.0 | +0.3 | 0.80 |
| Income & Growth | 5½ | 64.76 | 65.62 | 69.66 | +0.38 | 4.64 |
| European (z) | 5½ | 56.54 | 56.54 | 60.02 | -0.15 | 1.26 |
| Nth American (z) | 5½ | 40.31 | 40.31 | 42.79 | -0.1 | 0.75 |
| Intl Growth (9-1) | 5½ | 71.88 | 73.40xd | 77.91 | +0.15 | 1.08 |
| UK Growth | 5½ | 63.03 | 64.90 | 68.78 | +0.57 | 1.60 |
| Intl Income | 5½ | 53.05 | 53.78xd | 57.09 | +0.4 | 5.74 |

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| **National Provident Inv Mgrs Ltd—Contd.** | | | | | | |
| NPI UK Spec Opp Acc | 5½ | 60.15 | 60.96xd | 65.20 | +0.62 | 3.43 |
| NPI W'wide Acc | 5 | 81.04 | 83.52 | 88.65 | -0.01 | 0.00 |
| NPI W'wide Dist | 5 | 77.45 | 80.02xd | 85.13 | -0.01 | 0.00 |
| NPI W'wide Inc Dist | 5½ | 52.08 | 53.25xd | 56.95 | +0.29 | 3.07 |
| For National & Provincial UT Mngrs see N&P UT Mngmt | | | | | | |
| **Newton Fund Mngrs Ltd (1200)F** | | | | | | |
| 2, London Bridge SE1 071-407 4404 | | | | | | |
| Newton Income | 6 | 159.39 | 163.17xd | 173.59 | +1.31 | 6.07 |
| Newton Global | 6 | 209.86 | 209.86xd | 223.28 | +0.08 | 1.42 |
| Newton General | 6 | 127.73 | 131.44xd | 139.84 | +0.80 | 4.06 |

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| **Save & Prosper Group (0900)H** | | | | | | |
| 16-22 Western Rd, Romford RM1 3LB | | | | | | |
| 0800 282 101 or (Advisers) 0800 929 929 | | | | | | |
| Amer Inc & Gwth | 5½ | 53.13 | 53.13xd | 56.52 | -0.13 | 5.66 |
| Amer Smllr Cos | 5½ | 63.73 | 64.62 | 68.74 | -0.1 | - |
| Capital | 5½ | 118.7 | 118.7 | 126.2 | +1.4 | 1.89 |
| Cash | 0 | 111.7 | 111.7xd | 111.7 | +0.1 | 9.96 |
| Commodity | 5½ | 76.63 | 76.63 | 81.52 | -0.17 | 1.76 |
| Eastern Discovery | 5½ | 62.34 | 63.56 | 67.61 | +0.34 | 0.44 |
| Energy Inds | 5½ | 66.94 | 66.94 | 71.21 | +0.83 | 1.06 |
| European Gwth | 5½ | 127.3 | 127.3 | 135.4 | -0.5 | 1.33 |
| Euro Inc & Gwth | 5½ | 56.46 | 56.46 | 60.06 | -0.25 | 2.60 |
| Euro Smllr Co's | 5½ | 36.63 | 36.72 | 39.06 | -0.06 | 1.21 |

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| **Marks & Spencer Unit Trust Ltd (1200)F** | | | | | | |
| PO Box 410, Chester X, CH99 9GS 0244 680066 | | | | | | |
| M & S Inv P'folio | 5½ | 115.1 | 115.3 | 123.3 | +0.9 | 3.15 |
| Do Accum | 5½ | 124.9 | 125.2 | 133.9 | +1.0 | 3.15 |
| UK Sel P'folio | 5½ | 99.12 | 99.96 | 106.9 | +1.2 | 4.70 |
| Do Accum | 5½ | 107.4 | 108.3 | 115.8 | +1.3 | 4.70 |

## Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

**INITIAL CHARGE:** Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

**OFFER PRICE:** Also called issue price. The price at which units are bought by investors.

**BID PRICE:** Also called redemption price. The price at which units are sold back by investors.

**CANCELLATION PRICE:** The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

**TIME:** The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (◆) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

**HISTORIC PRICING:** The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

**FORWARD PRICING:** The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

**SCHEME PARTICULARS AND REPORTS:** The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

# FT MANAGED FUNDS SERVICE

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| | Init Charge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| **Stewart Ivory Unit Tst Mgrs Ltd (1200)H** | | | | | | |
| 45 Charlotte Sq, Edinburgh | | | | 031-226 3271 | | |
| American | 5 | 278.6 | 278.6 | 296.9 | -2.2 | 0.77 |
| (Accum Units) | 5 | 327.9 | 327.9 | 349.5 | -2.5 | 0.77 |
| British | 5 | 836.6 | 854.9 | 904.5 | +7.4 | 4.76 |
| (Accum Units) | 5 | 1403.0 | 1453.7 | 1516.8 | +12.4 | 4.76 |
| European | 5 | 334.7 | 334.7 | 355.1 | +0.4 | 1.44 |
| (Accum Units) | 5 | 362.6 | 362.6 | 384.9 | +0.4 | 1.44 |
| Japan | 5 | 92.17 | 92.17 | 98.09 | +0.85 | — |
| (Accum Units) | 5 | 92.91 | 92.91 | 98.83 | +0.85 | — |
| New Pacific | 5 | 198.9 | 198.9 | 212.3 | -0.6 | 1.65 |
| (Accum Units) | 5 | 204.3 | 204.3 | 218.6 | -0.6 | 1.65 |
| PEP Apr 22 | 5 | 156.9 | 158.6 | 167.8 | .... | 3.66 |
| Mngd Equity | 5 | 128.8 | 130.3 | 137.9 | +1.0 | 2.77 |
| Mngd Equity Acc | 5 | 136.7 | 138.2 | 146.3 | +1.0 | 2.77 |
| Mngd Cash | 0 | 95.86 | 95.86 | 95.86 | +0.06 | 9.42 |
| (Accum Units) | 0 | 120.4 | 120.4 | 120.4 | +0.1 | 9.42 |
| Majority Stlg | 1 | 99.95 | 99.95 | 108.65 | +0.87 | 9.51 |
| Majority Stlg Acc | 1 | 110.84 | 110.84 | 111.95 | +0.87 | 9.51 |
| **Storebrand Intl Inv Mngrs Ltd (1200)F** | | | | | | |
| Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex | | | | | | |
| Enquiries: 0277 227300 | | | Dealing: 0277 261010 | | | |
| International Mar 13 | 0 | 50.61 | 50.61 | 51.01 | .... | 2.69 |
| **Sun Alliance Unit Tst Mngmt Ltd (1200)F** | | | | | | |
| St Mark's Court, Horsham | | | | 0403 232323 | | |
| Equity | 6 | 633.6 | 633.6 | 677.6 | +8.4 | 2.92 |
| North America | 6 | 85.16 | 85.16 | 88.94 | -1.92 | 0.38 |
| Far East | 6 | 84.44 | 84.44 | 90.30 | +0.30 | 0.68 |
| W'wide Bond | 6 | 46.88 | 46.88 | 49.87 | -0.06 | 6.40 |
| European | 6 | 67.96 | 67.96 | 72.68 | -0.35 | 1.61 |
| Equity Income | 6 | 70.33 | 71.41 | 76.37 | +1.92 | 5.46 |
| Portfolio | 6 | 58.82 | 58.82 | 62.91 | +0.17 | 2.89 |
| Broker Trusts | | | | | | |
| Worldwide Growth | 6 | 47.00 | 47.00 | 50.00 | .... | 2.25 |
| **Sun Life of Canada Unit Mgrs Ltd (1000)H** | | | | | | |
| Basingview, Basingstoke, Hants | | | | 0800 525725 | | |
| American Growth | 6 | 26.69 | 26.69 | 28.55 | -0.02 | 0.54 |
| Managed Assets | 6 | 104.80 | 105.44 | 112.78 | +1.15 | 3.37 |
| UK Income | 6 | 32.82 | 33.21 | 35.52 | +0.46 | 4.31 |
| UK Growth | 6 | 32.72 | 33.08 | 35.39 | +0.59 | 3.40 |

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **M & G Securities Ltd** | | | | |
| Charifund Apr 24 | 106.22 | | -0.3 | 10.15 |
| (Accum Units) | 642.98 | | -1.9 | 10.15 |
| NAACIF Apr 21 | 42.00 | | .... | 9.42 |
| **Morgan Grenfell Investment Funds Ltd** | | | | |
| Exempt Funds | | | | |
| UK Equity Apr 21 | 135.3 | 145.2 | .... | 1.86 |
| UK Small Co Apr 21 | 327.1 | 377.1 | .... | 9.47 |
| Fixed Interest Apr 21 | 112.2 | 118.0 | .... | 8.48 |
| US Small Co Apr 21 | 162.1 | 173.5 | .... | 0.00 |
| Managed Apr 21 | 111.0 | 118.8 | .... | 3.35 |
| Intl Bond Apr 21 | 118.1 | 124.5 | .... | 10.31 |
| Japan Apr 21 | 58.67 | 62.57 | .... | 4.69 |
| European Apr 21 | 92.01 | 98.50 | .... | 1.72 |
| Nth American Apr 21 | 118.8 | 128.1 | .... | 1.24 |
| **Murray Johnstone UT Mngmt** | | | | |
| Murray Exempt Funds | | | | |
| Amer Expt Apr 22 | 56.09 | 58.34 | .... | 1.70 |
| Euro Expt Apr 22 | 53.34 | 56.01 | .... | 2.43 |
| Fixed Int Ex Apr 22 | 48.39 | 49.59 | .... | 8.77 |
| Japan Expt Apr 22 | 35.55 | 36.98 | .... | 0.89 |
| Managed Ex Apr 22 | 46.35 | 48.21 | .... | 4.03 |
| SE Asia Expt Apr 22 | 76.53 | 80.36 | .... | 2.56 |
| Sm Cos Expt Apr 22 | 36.60 | 38.43 | .... | 3.23 |
| UK Eqty Ex Apr 22 | 44.80 | 47.04 | .... | 3.69 |
| **Phillips & Drew Fund Management Ltd** | | | | |
| Small Co's Mar 4 | 656.40 | 698.79 | .... | 4.04 |
| Do Accum | 761.43 | 810.61 | .... | 4.04 |
| Intl Expt Apr 23 | 185.55 | 189.56 | .... | 1.67 |
| UK Index Mar 4 | 1135.99 | 1158.06 | .... | 4.59 |
| Do Accum | 1258.32 | 1273.91 | .... | 4.53 |
| Convertible Apr 27 | 98.25 | 101.34 | +4.31 | 7.99 |
| World ex UK Index Apr 21 | 740.61 | 749.17 | .... | 2.25 |
| Do Accum | 740.61 | 749.17 | .... | 2.25 |
| Japan Index Apr 21 | 425.31 | 431.80 | .... | 0.98 |
| Do Accum | 427.0 | 435.51 | .... | 0.98 |
| USA Index Apr 21 | 1067.99 | 1074.7 | .... | 3.02 |
| Do Accum | 1112.82 | 1120.23 | .... | 3.02 |
| Europe ex UK Index Apr 21 | 914.74 | 928.77 | .... | 3.17 |

## INSURANCES

## OTHER UK UNIT TRUSTS

Continued on next page

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## OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

# CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

# Punishing day for D-Mark

GERMANY'S political and economic problems turned yesterday's foreign currency trading into a black day for the D-Mark, which lost out to nearly all the other major currencies. Its most punishing blows came in trading against sterling, the yen and the French franc as traders took a gloomy view of a wave of news coming out of Bonn, *writes James Blitz*.

The widening strikes in the German public sector, two resignations from the Bonn cabinet and remarks from Mr Theo Waigel, the German finance minister, all undermined the D-Mark yesterday. But traders also noted that sterling is continuing to make gains in its own right, propelled by confidence in Britain's government rather than mere disillusionment with the news from Bonn.

The pound ended in London at DM2.9375, up 1¼ pfennigs from its previous close. In morning trading it narrowly failed to reach DM2.9400, peaking at DM2.9398.

The D-Mark also suffered a sharp decline against the yen, finishing at Y80.5255. The German currency's only comfort was in trading against the dollar, where it ended at DM1.6510, only a touch weaker than its previous close of DM1.6505. Dealers said this was partly because the US currency had itself weakened so much against the yen yesterday. But big interest rate differentials between Germany and the US would have made it difficult in any case for the dollar to make much progress. The dollar finished in New York at DM1.6546.

Sterling was the main winner in London trading, up on both the dollar and French franc. It finished in London at $1.7792, having opened at $1.7715, and ended at FFr9.9075, up from the previous close of FFr9.8825. The pound moved up to fourth from bottom in the ERM grid, overtaking the French franc once again. It ended in New York at $1.7765.

Traders now feel that the next big barrier for sterling to cross is $1.78, its high in the immediate aftermath of the Conservatives' general election victory in April. If it reaches DM2.95 in the next few days, it will also cross its current central rate in the ERM, increasing speculation that Britain will put sterling in the narrow band of the ERM.

The other big action yesterday came in yen trading, as the Japanese currency gained from comments made at the weekend's G7 meeting. The G7 communique said foreign exchange markets had been generally stable in recent months, but added that the decline of the yen was not contributing to the adjustment process.

The yen rose against most currencies. It closed against the dollar at Y133.10 (after starting at Y134.55) and in New York ended at Y133.01. Against sterling, it finished in London at Y236.75, having closed previously at Y238.50.

### £ IN NEW YORK

| Apr 27 | Close | Previous Close |
|---|---|---|
| £ Spot | 1.7760-1.7770 | 1.7720-1.7730 |
| 1 month | 0.97-0.96pm | 0.98-0.96pm |
| 3 months | 2.79-2.76pm | 2.80-2.77pm |
| 12 months | 9.08-8.98pm | 9.08-8.98pm |

Forward premiums and discounts apply to the US dollar

### STERLING INDEX

| | | Apr 27 | Previous |
|---|---|---|---|
| 8.30 | am | 92.4 | 92.2 |
| 9.00 | am | 92.4 | 92.2 |
| 10.00 | am | 92.6 | 92.3 |
| 11.00 | am | 92.6 | 92.3 |
| Noon | | 92.5 | 92.3 |
| 1.00 | pm | 92.5 | 92.3 |
| 2.00 | pm | 92.5 | 92.4 |
| 3.00 | pm | 92.6 | 92.3 |
| 4.00 | pm | 92.6 | 92.3 |

### CURRENCY MOVEMENTS

| Apr 27 | Bank of England Index | Morgan** Guaranty Changes % |
|---|---|---|
| Sterling | 92.6 | -19.5 |
| U.S Dollar | 64.8 | -13.5 |
| Canadian Dollar | 100.6 | -1.0 |
| Austrian Schilling | 110.1 | +12.4 |
| Belgian Franc | 111.2 | -2.0 |
| Danish Krone | 108.9 | +3.0 |
| D-Mark | 118.3 | +24.9 |
| Swiss Franc | 103.7 | +11.4 |
| Dutch Guilder | 114.2 | +16.1 |
| French Franc | 104.0 | -12.2 |
| Lira | 98.6 | -20.0 |
| Yen | 138.0 | +70.2 |
| Peseta | 107.6 | -18.2 |

Morgan Guaranty changes average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Apr.24

### CURRENCY RATES

| Apr 27 | Bank § rate % | Special * Drawing Rights | European † Currency Unit |
|---|---|---|---|
| Sterling | - | 0.773023 | 0.698952 |
| U.S Dollar | 3.50 | 1.37057 | 1.24169 |
| Canadian $ | 7.49 | 1.62995 | 1.48109 |
| Austrian Sch | 7.50 | 15.9301 | 14.4545 |
| Belgian Franc | 8.50 | 46.5788 | 42.2577 |
| Danish Krone | 9.50 | 8.76137 | 7.93997 |
| D-Mark | 8.00 | 2.26267 | 2.05375 |
| Dutch Guilder | 8.50 | 2.54693 | 2.31115 |
| French Franc | 10¼ | 7.63270 | 6.92613 |
| Italian Lira | 12 | 1702.36 | 1544.54 |
| Japanese Yen | 3.75 | 184.479 | 165.207 |
| Norway Krone | - | 8.85662 | 8.02006 |
| Spanish Peseta | - | 142.198 | 128.733 |
| Swedish Krona | 10.00 | 8.17888 | 7.41412 |
| Swiss Franc | 7.00 | 2.09629 | 1.90102 |
| Greek Drach | 19 | N/A | 240.453 |
| Irish Punt | - | N/A | 0.769180 |

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Apr 24

### OTHER CURRENCIES

| Apr 27 | £ | $ |
|---|---|---|
| Argentina | 1.7590 - 1.7620 | 0.9900 - 0.9910 |
| Australia | 2.3525 - 2.3545 | 1.3225 - 1.3235 |
| Brazil | 4097.15 - 4099.80 | 2305.65 - 2305.85 |
| Finland | 7.9855 - 7.9990 | 4.4880 - 4.4910 |
| Greece | 340.380 - 345.850 | 192.200 - 195.300 |
| Hong Kong | 13.7585 - 13.7715 | 7.7370 - 7.7390 |
| Iran | 2565.00* | 1445.00* |
| Korea(Sth) | 1365.55 - 1387.55 | 774.00 - 783.20 |
| Kuwait | 0.52425 - 0.52500 | 0.29520 - 0.29540 |
| Luxembourg | 60.45 - 60.55 | 33.95 - 34.05 |
| Malaysia | 4.5210 - 4.5325 | 2.5440 - 2.5460 |
| Mexico | 5366.55 - 5378.45 | 3074.00 - 3075.00 |
| N.Zealand | 3.3200 - 3.3240 | 1.8680 - 1.8700 |
| Saudi Ar | 6.6030 - 6.6800 | 3.7495 - 3.7505 |
| Singapore | 2.9400 - 2.9470 | 1.6520 - 1.6540 |
| S.Af (Cm) | 5.1165 - 5.1285 | 2.8760 - 2.8775 |
| S.Af (Fn) | 6.1395 - 6.2480 | 3.4540 - 3.5150 |
| Taiwan | 44.90 - 45.00 | 25.25 - 25.35 |
| U.A.E. | 6.4655 - 6.5425 | 3.6715 - 3.6735 |

*Floating rate. Iran Official rate £117.60 $66.80

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu Central Rates | Currency Amounts Against Ecu Apr 27 | % Change from Central Rate | % Spread vs Weakest Currency | Divergence Indicator |
|---|---|---|---|---|---|
| Spanish Peseta | 133.631 | 128.733 | -3.67 | 5.10 | 63 |
| Portuguese Escudo | 178.735 | 173.588 | -2.88 | 4.25 | 47 |
| Belgian Franc | 42.4032 | 42.2577 | -0.34 | 1.60 | 20 |
| Dutch Guilder | 2.31643 | 2.31115 | -0.23 | 1.48 | 15 |
| D-Mark | 2.05586 | 2.05375 | -0.10 | 1.35 | 11 |
| French Franc | 6.89509 | 6.89509 | 0.00 | 1.25 | 4 |
| Irish Punt | 0.767417 | 0.769180 | 0.23 | 1.02 | -7 |
| Sterling | 0.696904 | 0.698952 | 0.29 | 0.95 | -7 |
| Italian Lira | 1538.24 | 1544.54 | 0.41 | 0.84 | -17 |
| Danish Krone | 7.84195 | 7.93997 | 1.25 | 0.00 | -54 |

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

### POUND SPOT - FORWARD AGAINST THE POUND

| Apr 27 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.7700 - 1.7800 | 1.7790 - 1.7800 | 0.98-0.96cpm | 6.54 | 2.79-2.76pm | 6.24 |
| Canada | 2.1075 - 2.1265 | 2.1245 - 2.1255 | 0.72-0.66cpm | 3.90 | 2.07-1.96pm | 3.79 |
| Netherlands | 3.3000 - 3.3125 | 3.3000 - 3.3100 | ⅜-⅛cpm | 0.91 | ⅝-½pm | 0.76 |
| Belgium | 60.30 - 60.55 | 60.45 - 60.55 | 10-5cpm | 1.49 | 18-13pm | 1.02 |
| Denmark | 11.3275 - 11.3725 | 11.3525 - 11.3625 | ½-⅛orepm | 0.33 | ⅞-¼pm | 0.18 |
| Ireland | 1.0990 - 1.1025 | 1.1015 - 1.1025 | 0.04-parcpm | 0.22 | 0.08-0.01pm | 0.16 |
| Germany | 2.9300 - 2.9425 | 2.9350 - 2.9400 | ¼-⅛pfpm | 0.77 | ½-¼pm | 0.51 |
| Portugal | 247.60 - 249.60 | 248.60 - 249.60 | 56-77cdis | -3.20 | 130-186dis | -2.54 |
| Spain | 183.80 - 184.30 | 183.85 - 184.15 | 19-32cdis | -1.66 | 76-96dis | -1.87 |
| Italy | 2205.75 - 2211.75 | 2207.00 - 2208.00 | 2-4liredis | -1.63 | 8-10dis | -1.63 |
| Norway | 11.4500 - 11.4875 | 11.4675 - 11.4775 | ¼-½oredis | -0.39 | ½-parpm | 0.09 |
| France | 9.8900 - 9.9175 | 9.9025 - 9.9125 | ½-⅛cpm | 0.45 | 1⅛-⅝pm | 0.38 |
| Sweden | 10.5800 - 10.6175 | 10.5975 - 10.6075 | ⅞-1⅜oredis | -1.27 | 2⅞-3⅞dis | -1.27 |
| Japan | 236.00 - 237.25 | 236.25 - 237.25 | 1⅛-1⅛ypm | 6.02 | 3½-3⅛pm | 5.81 |
| Austria | 20.62 - 20.70 | 20.67 - 20.70 | 2¼-1⅛gropm | 0.98 | 6-3⅛pm | 0.88 |
| Switzerland | 2.7150 - 2.7275 | 2.7175 - 2.7275 | ⅜-⅛cpm | 1.38 | 1⅛-1pm | 1.56 |
| Ecu | 1.4285 - 1.4340 | 1.4310 - 1.4320 | 0.07-0.02cpm | 0.38 | 0.11dis-par | -0.15 |

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.24-5.19pm. 12 Month 9.05-8.95pm

### DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

| Apr 27 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.7700 - 1.7800 | 1.7790 - 1.7800 | 0.98-0.96cpm | 6.54 | 2.79-2.76pm | 6.24 |
| Ireland† | 1.6095 - 1.6170 | 1.6160 - 1.6170 | 0.87-0.84cpm | 6.35 | 2.55-2.48pm | 6.22 |
| Canada | 1.1880 - 1.1955 | 1.1940 - 1.1950 | 0.24-0.26cdis | -2.51 | 0.75-0.79dis | -2.58 |
| Netherlands | 1.8560 - 1.8660 | 1.8565 - 1.8575 | 0.87-0.90cdis | -5.72 | 2.68-2.72dis | -5.82 |
| Belgium | 33.95 - 34.10 | 33.95 - 34.05 | 14.00-15.00cdis | -5.12 | 45.00-48.00dis | -5.47 |
| Denmark | 6.3800 - 6.4075 | 6.3800 - 6.3850 | 3.15-3.45oredis | -6.20 | 9.60-10.20dis | -6.20 |
| Germany | 1.6490 - 1.6580 | 1.6505 - 1.6515 | 0.81-0.82pfdis | -5.92 | 2.45-2.47dis | -5.96 |
| Portugal | 139.30 - 139.70 | 139.30 - 139.40 | 115-122cdis | -10.20 | 318-338dis | -9.42 |
| Spain | 103.45 - 103.95 | 103.70 - 103.80 | 70-72cdis | -8.21 | 211-217dis | -8.25 |
| Italy | 1240.00 - 1247.25 | 1240.25 - 1240.75 | 0.84-0.89liredis | -0.84 | 2.50-2.60dis | -0.82 |
| Norway | 6.4450 - 6.4775 | 6.4450 - 6.4500 | 3.45-3.75oredis | -6.70 | 9.95-10.45dis | -6.33 |
| France | 5.5650 - 5.5925 | 5.5650 - 5.5700 | 2.84-2.89cdis | -6.18 | 8.45-8.55dis | -6.11 |
| Sweden | 5.9525 - 5.9900 | 5.9550 - 5.9600 | 3.75-4.00oredis | -7.81 | 11.35-11.80dis | -7.77 |
| Japan | 132.90 - 134.40 | 133.05 - 133.15 | 0.08-0.09ydis | -0.77 | 0.21-0.22dis | -0.65 |
| Austria | 11.6200 - 11.6650 | 11.6225 - 11.6275 | 5.25-5.60grodis | -5.60 | 15.80-16.80dis | -5.61 |
| Switzerland | 1.5265 - 1.5355 | 1.5290 - 1.5300 | 0.65-0.67cdis | -5.18 | 1.85-1.89dis | -4.89 |
| Ecu | 1.2375 - 1.2435 | 1.2420 - 1.2430 | 0.65-0.63cpm | 6.18 | 1.92-1.86pm | 6.08 |

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

### EURO-CURRENCY INTEREST RATES

| Apr 27 | Short term | 7 Days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Sterling | 10⅞ - 10⅝ | 10¹¹⁄₁₆ - 10⁹⁄₁₆ | 10⅝ - 10½ | 10⅝ - 10½ | 10⁹⁄₁₆ - 10⁷⁄₁₆ | 10½ - 10⅜ |
| US Dollar | 3¾ - 3⅝ | 4 - 3⅞ | 4 - 3⅞ | 4⅛ - 4 | 4⅜ - 4¼ | 4⅞ - 4¾ |
| Can. Dollar | 6¾ - 6½ | 6⅞ - 6¾ | 6⅞ - 6¾ | 6⅞ - 6¾ | 7 - 6⅞ | 7¼ - 6⅞ |
| Dutch Guilder | 9⅞ - 9¾ | 9⅞ - 9¾ | 9⅞ - 9¾ | 9⅞ - 9¾ | 9⅞ - 9¾ | 9⅞ - 9¾ |
| Swiss Franc | 9⅜ - 9¼ | 9¼ - 9 | 9¼ - 9 | 8⅞ - 8¾ | 8⅝ - 8½ | 8½ - 8⅜ |
| D-Mark | 9⅞ - 9¾ | 9⅞ - 9¾ | 9⅞ - 9¾ | 9⅞ - 9¾ | 9⅞ - 9¾ | 9⅞ - 9¾ |
| French Franc | 10 - 9⅞ | 10 - 9⅞ | 10 - 9⅞ | 10 - 9⅞ | 10⅛ - 9⅞ | 10⅛ - 9⅞ |
| Italian Lira | 12 - 10 | 12⅛ - 11⅞ | 12¼ - 11¾ | 12¼ - 11¾ | 12¼ - 11¾ | 12⅛ - 12 |
| Belgian Franc | 9⅜ - 9¼ | 9⅞ - 9¾ | 9⅞ - 9¾ | 9⅞ - 9¾ | 9⅞ - 9¾ | 9⅞ - 9¾ |
| Yen | 4⅜ - 4¼ | 4⅝ - 4½ | 4¾ - 4⅝ | 4⅝ - 4½ | 4⅝ - 4½ | 4⅝ - 4½ |
| Danish Krone | 10¼ - 10 | 10¼ - 10 | 10¼ - 10 | 10¼ - 10 | 10¼ - 10 | 10¼ - 10 |
| Asian $Sing | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Spanish Peseta | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Long term Eurodollars: two years 5⅞-5¾ per cent; three years 6⅝-6½ per cent; four years 7⅛-7 per cent; five years 7⅜-7¼ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

### EXCHANGE CROSS RATES

| Apr 27 | £ | $ | DM | YEN | F Fr. | S Fr. | N Fl. | Lira | C$ | B Fr. | Pta | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| £ | 1 | 1.779 | 2.937 | 236.7 | 9.907 | 2.722 | 3.305 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| $ | 0.562 | 1 | 1.651 | 133.1 | 5.569 | 1.530 | 1.858 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| DM | 0.340 | 0.606 | 1 | 80.59 | 3.373 | 0.927 | 1.125 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| YEN | 4.225 | 7.516 | 12.41 | 1000. | 41.85 | 11.50 | 13.96 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| F Fr. | 1.009 | 1.796 | 2.965 | 238.9 | 10. | 2.748 | 3.336 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| S Fr. | 0.367 | 0.654 | 1.079 | 86.96 | 3.640 | 1 | 1.214 | 810.8 | 0.781 | 22.23 | 67.60 | 5.259 |
| N Fl. | 0.303 | 0.538 | 0.889 | 71.62 | 2.998 | 0.824 | 1 | 667.8 | 0.643 | 18.31 | 55.67 | 4.331 |
| Lira | 0.453 | 0.806 | 1.331 | 107.2 | 4.489 | 1.233 | 1.498 | 1000 | 0.963 | 27.41 | 83.37 | 6.486 |
| C$ | 0.471 | 0.837 | 1.382 | 111.4 | 4.662 | 1.281 | 1.555 | 1039 | 1 | 28.47 | 86.59 | 6.736 |
| B Fr. | 1.653 | 2.940 | 4.855 | 391.2 | 16.38 | 4.499 | 5.463 | 3648 | 3.512 | 100. | 304.1 | 23.66 |
| Pta | 0.543 | 0.967 | 1.596 | 128.6 | 5.384 | 1.479 | 1.796 | 1199 | 1.155 | 32.88 | 100 | 7.785 |
| Ecu | 0.070 | 0.124 | 0.205 | 16.54 | 0.692 | 0.190 | 0.231 | 154.2 | 0.148 | 4.226 | 12.85 | 1. |

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100. Peseta per 100.

## FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100% — [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100% — [illegible]

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100% — [illegible]

LIFFE EUROMARK OPTIONS DM1m points of 100% — [illegible]

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS — [illegible]

LIFFE SHORT STERLING OPTIONS £500,000 points of 100% — [illegible]

### LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT; US TREASURY BONDS 8%; 6% NOTIONAL GERMAN GOVT. BOND; 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND; 9% NOTIONAL ECU BOND; 12% NOTIONAL ITALIAN GOVT. BOND (BTP); THREE MONTH STERLING; THREE MONTH EURODOLLAR; THREE MONTH EUROMARK; THREE MONTH ECU; THREE MONTH EURO SWISS FRANC; FT-SE 100 INDEX; FT-SE EUROTRACK 100 INDEX — [illegible]

* Contracts traded on APT. Closing prices shown.

### CHICAGO

U.S. TREASURY BONDS (CBT); JAPANESE YEN (IMM); DEUTSCHE MARK (IMM); U.S. TREASURY BILLS (IMM); THREE-MONTH EURODOLLAR (IMM); BRITISH POUND (IMM); SWISS FRANC (IMM); STANDARD & POOR'S 500 INDEX — [illegible]

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £) — [illegible]

### PARIS

7 to 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES; THREE-MONTH PIBOR FUTURES (MATIF); CAC-40 FUTURES (MATIF) Stock Index; ECU BOND (MATIF) — [illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

| Strike | Calls June | Calls September | Calls December | Puts June | Puts September | Puts December |
|---|---|---|---|---|---|---|
| 104 | - | - | - | - | 0.11 | - |
| 105 | - | - | - | 0.03 | - | 0.40 |
| 106 | - | - | - | 0.06 | 0.38 | - |
| 107 | 0.67 | - | - | 0.21 | 0.71 | - |
| 108 | 0.20 | 0.83 | - | 0.73 | 1.14 | - |
| 109 | 0.04 | 0.46 | - | - | - | - |
| Open Int | 126,947 | 46,577 | 8,690 | 98,061 | 26,720 | 9,573 |

Estimated volume 17,603 Total Open Interest 316,565

### POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

| Spot | 1-mth | 3-mth | 6-mth | 12-mth |
|---|---|---|---|---|
| 1.7795 | 1.7698 | 1.7518 | 1.7273 | 1.6895 |

## MONEY MARKETS

# Little move in rates

Sterling's latest surge on the foreign exchange markets encouraged a few traders to believe that an interest rate cut was in the offing. But the UK market was mostly unimpressed by sterling's performance and was guided far more by the political situation in Germany.

Period rates in the Interbank market showed no sign of change. London's sterling deposit rates remained firmly locked into a 10½ per cent relationship with base rates. The three-month interbank rate, an important indicator of future base rate movements, remained at 10½-⅜ per cent. One year money again ended at 10⅜-¼, repeating Friday's close.

Only movements in the short sterling futures market gave the hint that traders are expecting the Bank of England to signal a cut in base rates soon. The June short sterling contract ended at 89.79, just below its high for the day, having opened at 89.65. The closing figure indicated an implied interest rate in June of 10.21 per cent. "That indicates that the market believes that the next move in interest rates will be down," said one trader yesterday.

In the Discount market, some traders said that they were reluctant to part with bills, even though the Bank of England forecast a shortage at the day's opening of £1.15bn. One trader claimed that this reluctance was due to a wish to push up the cost of short-dated money. Alternatively, traders may not have needed to sell the bills in the first place.

The Bank of England struggled to relieve a hefty shortage by way of bill purchases, unsupported by any "repo" facility. It purchased £69m worth of Band-4 bank bills at 10¹⁄₁₆ per cent in the early round. Later in the morning, the shortage was revised to around £1.05bn and the Bank purchased £11m of Band-3 bank bills at 10⅝ per cent and £58m of Band-4 bank bills at 10¹⁄₁₆ per cent.

In the afternoon, the Bank revised its estimate of the shortage, lifting the figure to around £1.2m. It purchased £279m worth of Band-1 bank bills at 10⅝ per cent and £10m of Band-4 Bank bills at 10¹⁄₁₆ per cent.

The market eventually took £505m from the Bank by exercising late borrowing facilitites to raise total official intervention operations to £932m.

**UK clearing bank base lending rate 10.5 per cent from September 4, 1991**

### FT LONDON INTERBANK FIXING

| (11.00 a.m. Apr 27) 3 months US dollars | | 6 months US Dollars | |
|---|---|---|---|
| bid 3¹⁵⁄₁₆ | offer 4¹⁄₁₆ | bid 4⅛ | offer 4¼ |

*The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.*

### MONEY RATES

**NEW YORK** Treasury Bills and Bonds

| 4pm | | | | | |
|---|---|---|---|---|---|
| Prime rate | 6½ | One month | 3.59 | Three year | 5.95 |
| Broker loan rate | 6 | Two month | 3.61 | Five year | 6.90 |
| Fed.funds | 3⅞ | Three month | 3.81 | Seven year | 7.25 |
| Fed.funds at intervention | 3¹⁵⁄₁₆ | Six month | 4.00 | 10-year | 7.59 |
| | | One year | 4.34 | 30-year | 8.11 |
| | | Two year | 5.42 | | |

| Apr 27 | Overnight | One Month | Two Months | Three Months | Six Months | Lombard Intervention |
|---|---|---|---|---|---|---|
| Frankfurt | 9.65-9.75 | 9.65-9.80 | 9.65-9.80 | 9.65-9.80 | 9.65-9.80 | 9.75 |
| Paris | 9¹⁵⁄₁₆-10⅛ | 9¹⁵⁄₁₆-10⅛ | 9¹⁵⁄₁₆-10⅛ | 9¹⁵⁄₁₆-10⅛ | 9¹⁵⁄₁₆-10⅛ | 9.60 |
| Zurich | 7⅞-8⅛ | 8⅝-9 | - | 8⅝-9 | - | - |
| Amsterdam | 9.10-9.25 | 9.32-9.38 | - | 9.34-9.42 | - | - |
| Tokyo | 4⅝-4⅛ | 4¹¹⁄₁₆-4⅞ | - | 4⅝-4⅞ | - | - |
| Milan | 9⅛-9⅞ | 9½-9⅞ | - | 9⅞-9⅞ | - | - |
| Brussels | 9⅛-9⅞ | 9½-9⅝ | - | 9⅝-9⅞ | - | - |
| Dublin | 10⅛-10¼ | 10½-10⅝ | 10½-10⅝ | 10½-10⅝ | 10⅛-10⅝ | - |

### LONDON MONEY RATES

| Apr 27 | Overnight | 7 days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Interbank Offer | 15 | 10¾ | 10⅝ | 10⅝ | 10½ | 10⅜ |
| Interbank Bid | 10½ | 10½ | 10⁷⁄₁₆ | 10⅜ | 10¼ | 10¼ |
| Sterling CDs | - | - | 10⅝ | 10⁷⁄₁₆ | 10⅜ | 10¼ |
| Local Authority Deps. | 10½ | 10⅝ | 10⅝ | 10⅝ | 10⅜ | 10¼ |
| Local Authority Bonds | - | - | - | - | - | - |
| Discount Mkt Deps | 10¾ | 10⅝ | - | - | - | - |
| Company Deposits | - | - | 10⅝ | 10⅝ | 10⅜ | 10½ |
| Finance House Deposits | - | - | 10⅝ | 10½ | 10½ | 10¾ |
| Treasury Bills (Buy) | - | - | 10¼ | 9¹⁵⁄₁₆ | 9⅝ | - |
| Bank Bills (Buy) | - | - | 10⅛ | 10 | 9⅞ | - |
| Fine Trade Bills (Buy) | - | - | - | - | - | - |
| Dollar CDs | - | - | 3.87 | 3.90 | 4.05 | 4.53 |
| SDR Linked Dep. Offer | - | - | 6½ | 6⅝ | 6⅝ | 6¾ |
| SDR Linked Dep. Bid | - | - | 6⅜ | 6⅜ | 6¼ | 6⅝ |
| ECU Linked Dep. Offer | - | - | 9⅞ | 10⅛ | 10¼ | 10⅛ |
| ECU Linked Dep. Bid | - | - | 9¾ | 9¹⁵⁄₁₆ | 10 | 10 |

Treasury Bills (sell): one-month 10¼ per cent; three months 9¹⁵⁄₁₆ per cent; six months 9½ per cent. *Bank Bills (sell): one-month 10¼ per cent; three months 9¹⁵⁄₁₆ per cent;* Treasury Bills: Average tender rate of discount 9.8109 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day March 31, 1992. Agreed rates for period Apr.26, 1992 to May 25, 1992, Scheme I: 11.77 p.c., Schemes II & III: 11.84 p.c. Reference rate for period Feb 29, 1992 to March 31, 1992, Scheme IV&V: 10.643 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from April 1, 1992. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent. Under £100,000 7 per cent from Sept 5, 1991. Deposits withdrawn for cash 5 per cent.

### BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| Adam & Company | 10.5 | Credit Lyonnais | 10.5 | McDonnell Douglas Bnk | 10.5 |
| Allied Trust Bank | 10.5 | Cyprus Popular Bk | 10.5 | Midland Bank | 10.5 |
| AIB Bank | 10.5 | Duncan Lawrie | 10.5 | Mount Banking | 10.5 |
| ● Henry Ansbacher | 10.5 | Equatorial Bank plc | 10.5 | NatWestminster | 10.5 |
| B & C Merchant Bank | 10.5 | Exeter Bank Limited | 11 | Northern Bank Ltd | 10.5 |
| Bank of Baroda | 10.5 | Financial & Gen. Bank | 11 | Nykredit Mortgage Bank | 11 |
| Banco Bilbao Vizcaya | 10.5 | First National Bank Plc | 14 | Provincial Bank PLC | 14 |
| Bank of Cyprus | 10.5 | ● Robert Fleming & Co. | 10.5 | Roxburghe Bank Ltd | 11.5 |
| Bank of Ireland | 10.5 | Robert Fraser & Ptnrs. | 11 | Royal Bk of Scotland | 10.5 |
| Bank of India | 10.5 | Girobank | 10.5 | ● Smith & Williamson Secs. | 10.5 |
| Bank of Scotland | 10.5 | ● Guinness Mahon | 10.5 | Standard Chartered | 10.5 |
| Banque Belge Ltd | 10.5 | ● Hambros Bank | 10.5 | TSB | 10.5 |
| Barclays Bank | 10.5 | Hampshire Trust Plc | 13.5 | Unibank plc | 10.5 |
| Benchmark Bank | 11 | Heritable & Gen Inv Bnk. | 10.5 | ● United Bk of Kuwait | 10.5 |
| Brit Bk of Mid East | 10.5 | ● Hill Samuel | 10.5 | Unity Trust Bank Plc | 10.5 |
| ● Brown Shipley | 10.5 | C. Hoare & Co. | 10.5 | Western Trust | 10.5 |
| CL Bank Nederland | 10.5 | Hongkong & Shanghai | 10.5 | Westpac Bank Corp. | 10.5 |
| Citibank NA | 10.5 | Julian Hodge Bank | 10.5 | Whiteaway Laidlaw | 10.5 |
| City Merchants Bank | 10.5 | ● Leopold Joseph & Sons | 10.5 | Yorkshire Bank | 10.5 |
| Clydesdale Bank | 10.5 | Lloyds Bank | 10.5 | | |
| Co-operative Bank | 10.5 | Meghraj Bank Ltd | 10.5 | | |
| Coutts & Co | 10.5 | | | | |

● Members of British Merchant Banking & Securities Houses Association.



### LEGAL NOTICES

NOTICE OF A CREDITORS' MEETING IN ADMINISTRATION PROCEEDINGS

MAXWELL FLEET & FACILITIES MANAGEMENT LIMITED

AND IN THE MATTER OF THE INSOLVENCY ACT 1986

NOTICE IS HEREBY GIVEN that a Meeting of Creditors in the above matter is to be held at: The Westminster Chamber of Commerce, 177 Regent Street, London W1R 8DJ on 8th May 1992 at 11.00 a.m.

1. To consider the Joint Administrators' proposals under Section 23 (1) of the Insolvency Act 1986 and to consider establishing a creditors' committee.

In order to be entitled to vote at the meeting you must give to us not later than 12.00 noon on the business day before the day fixed for the meeting, details in writing of your claim.

The Joint Administrators
Latham Crossley & Davis
48 Conduit Street, London W1R 9FB

### ART GALLERIES

SPINK, King Street, St. James's, SW1 Indian & Islamic Works of Art. 27 Apr-22 May Mon-Fri 9.30 - 5.30

**Appointments Advertising** appears every **Wednesday & Thursday**

**Friday** (in the international edition only)

## MONEY MARKET FUNDS

### Money Market Trust Funds

[illegible]

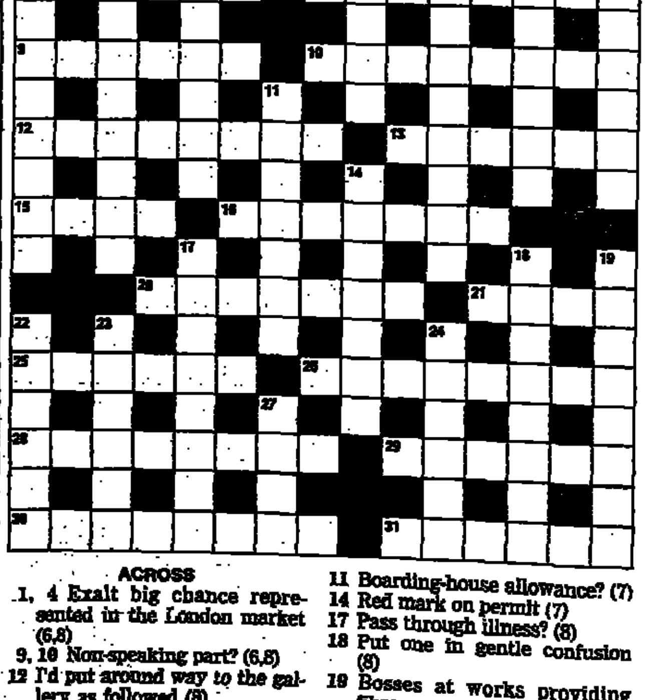
### Money Market Bank Accounts

[illegible]

**JOTTER PAD**

## CROSSWORD

No.7,834 Set by QUARK



**ACROSS**

1, 4 Exalt big chance represented in the London market (6,8)
9, 10 Non-speaking part? (6,8)
11 Boarding-house allowance? (7)
12 I'd put around way to the gallery as followed (8)
13 The energy in the mongrel I kept backing! (6)
14 Red mark on permit (7)
15 Bend to cut round circle (4)
16 A gathering that's unfriendly (7)
17 Pass through illness? (8)
18 Put one in gentle confusion (8)
19 Bosses at works providing fibrous material (8)
20 Swallows drove us mad (7)
21 The burden round the student body (4)
22 Edge raised on a very strong dish from the east (6)
23 White house resident? (6)
24 Paper round after six? Woman likely to be abusive (6)
25 Take out policy in firm (6)
26 Consider changing meat diet (8)
27 Church man heading off soon (4)
28, 29 Great tit sang it in the wild. Likely to be hit (1,7,6)
30, 31 Sailors crossing? (8,6)

**DOWN**

1 Well protected place for receiver of cash in HQ (8)
2 Sweet with a certain amount of stick (8)
3 Some of the introduction I announce is Greek (6)
5 Photograph? Man with unknown quantity (1-3)
6 Rough in the street? (8)
7 Fixed deal in rum (6)
8 Plant on grey ground (6)

**Solution to Puzzle No.7,833**

# WORLD STOCK MARKETS

## INDICES

### NEW YORK

| DOW JONES | Apr 27 | Apr 24 | Apr 23 | Apr 22 | 1992 HIGH | 1992 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| ♦Industrials | 3304.56 | 3324.46 | 3348.61 | 3338.77 | 3366.50 (16/4) | 3172.41 (2/1) | 3366.50 (16/4/92) | 41.22 (2/7/32) |
| Home Bonds | 98.87 | 98.91 | 98.88 | 98.98 | 99.81 (6/2) | 98.41 (20/3) | 99.81 (6/2/92) | 54.99 (1/10/81) |
| Transport | 1350.15 | 1360.24 | 1375.75 | 1343.61 | 1467.68 (20/2) | 1301.57 (8/4) | 1532.01 (5/9/89) | 12.32 (8/7/32) |
| Utilities | 206.69 | 207.69 | 208.38 | 207.81 | 225.59 (3/1) | 200.74 (8/4) | 236.23 (2/1/90) | 10.50 (8/4/32) |

♦Day's High 3340.79 (3381.48) Low 3284.66 (3305.23)

| STANDARD AND POOR'S | Apr 27 | Apr 24 | Apr 23 | Apr 22 | 1992 HIGH | 1992 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| Composite ‡ | 408.45 | 409.02 | 411.60 | 409.81 | 420.77 (15/1) | 394.50 (8/4) | 420.77 (15/1/92) | 4.40 (1/6/32) |
| Industrials | 483.72 | 484.38 | 487.07 | 485.36 | 499.27 (15/1) | 470.91 (8/4) | 499.27 (15/1/92) | 3.62 (21/6/32) |
| Financial | 34.26 | 34.49 | 34.92 | 34.79 | 35.14 (15/1) | 32.40 (8/4) | 35.24 (9/10/89) | 8.64 (1/10/74) |
| NYSE Composite | 224.94 | 225.12 | 226.16 | 225.42 | 231.85 (15/1) | 217.92 (8/4) | 231.85 (15/1/92) | 4.46 (25/4/42) |
| Amex Mkt. Value | 384.98 | 385.98 | 386.26 | 386.35 | 418.99 (12/2) | 380.90 (8/4) | 418.99 (12/2/92) | 29.31 (9/12/72) |
| NASDAQ Composite | 566.94 | 572.89 | 576.05 | 578.23 | 644.92 (12/2) | 566.94 (27/4) | 644.92 (12/2/92) | 54.87 (31/10/72) |

| | Apr 24 | Apr 10 | Apr 3 | year ago (approx.) |
|---|---|---|---|---|
| Dow Industrial Div. Yield | 2.80 | 2.85 | 2.85 | 3.47 |

| | Apr 22 | Apr 15 | Apr 8 | year ago (approx.) |
|---|---|---|---|---|
| S & P Industrial div. yield | 2.63 | 2.57 | 2.70 | 2.74 |
| S & P Indl. P/E ratio | 28.80 | 29.46 | 27.95 | 18.70 |

### NEW YORK ACTIVE STOCKS

| Monday | Stocks traded | Closing price | Change on day |
|---|---|---|---|
| Texaco | 3,016,600 | 61½ | + ⅜ |
| Gen Motors | 2,730,900 | 40 | + ⅛ |
| Compaq | 2,695,200 | 23⅛ | - 3½ |
| Am Express | 2,484,900 | 21⅞ | - ⅛ |
| Black & Decker | 2,218,600 | 25½ | + 1⅛ |
| Glaxo | 2,011,300 | 25⅞ | + ⅛ |
| Ames Store | 1,592,600 | ⅝ | + ⅛ |
| Am T & T | 1,535,900 | 43½ | + ⅛ |
| Baker Hugh | 1,531,100 | 20⅝ | + ⅝ |
| Ford Motor | 1,462,500 | 43⅞ | + ⅝ |

### TRADING ACTIVITY

| † Volume Millions | Apr 27 | Apr 24 | Apr 23 |
|---|---|---|---|
| New York SE | 172.820 | 198.750 | 235.730 |
| Amex | 12.101 | 14.215 | 13.681 |
| NASDAQ | (u) | 165.967 | 201.879 |
| **NYSE** | | | |
| Issues Traded | 2,220 | 2,221 | 2,230 |
| Rises | 791 | 808 | 829 |
| Falls | 882 | 879 | 849 |
| Unchanged | 527 | 534 | 552 |
| New Highs | 37 | 64 | 69 |
| New Lows | 23 | 28 | 27 |

### CANADA

| TORONTO | Apr 27 | Apr 24 | Apr 23 | Apr 22 | 1992 HIGH | 1992 LOW |
|---|---|---|---|---|---|---|
| Metals & Minerals | 2976.85 | 2990.12 | 2991.22 | 2989.13 | 3238.87 (16/1) | 2828.26 (8/4) |
| Composite | 3326.45 | 3349.69 | 3371.47 | 3367.75 | 3666.00 (16/1) | 3318.10 (8/4) |
| MONTREAL Portfolio | 1740.62 | 1751.86 | 1769.31 | 1768.15 | 1937.59 (16/1) | 1727.04 (8/4) |

Base values of all Indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

| | Apr 27 | Apr 24 | Apr 23 | Apr 22 | 1992 HIGH | 1992 LOW |
|---|---|---|---|---|---|---|
| **AUSTRALIA** | | | | | | |
| All Ordinaries (1/1/80) | 1602.9 | 1609.6 | 1607.8 | 1599.0 | 1675.60 (15/1) | 1545.30 (9/4) |
| All Mining (1/1/80) | 689.0 | 690.7 | 690.2 | 694.7 | 717.20 (25/2) | 660.30 (2/1) |
| **AUSTRIA** | | | | | | |
| Credit Aktien (30/12/84) | 409.00 | 413.04 | 416.83 | 417.32 | 458.57 (24/2) | 372.24 (2/1) |
| Traded Index (2/1/91) | 969.54 | 979.76 | 991.06 | 995.15 | 1099.43 (24/2) | 903.64 (2/1) |
| **BELGIUM** | | | | | | |
| BEL20 (1/1/91) | 1210.38 | 1221.56 | 1205.43 | 1199.19 | 1234.72 (3/3) | 1097.23 (8/1) |
| **DENMARK** | | | | | | |
| Copenhagen SE (3/1/83) | 333.02 | 334.04 | 333.93 | 334.44 | 365.29 (15/1) | 326.35 (9/4) |
| **FINLAND** | | | | | | |
| HEX General (28/12/90) | 817.7 | 815.3 | 818.9 | 812.9 | 935.90 (24/2) | 778.30 (9/4) |
| **FRANCE** | | | | | | |
| CAC General (31/12/82) | 536.18 | 537.62 | 538.16 | 536.39 | 538.64 (16/4) | 475.53 (2/1) |
| CAC 40 (31/12/87) | 1995.72 | 1984.91 | 1978.14 | 1983.68 | 1995.72 (27/4) | 1749.91 (2/1) |
| **GERMANY** | | | | | | |
| FAZ Aktien (31/12/58) | 708.46 | 710.81 | 714.57 | 713.88 | 715.44 (3/3) | 643.26 (8/1) |
| Commerzbank (1/12/53) | 1996.1 | 2003.8 | 2014.7 | 2013.2 | 2026.70 (3/3) | 1813.80 (8/1) |
| DAX (30/12/87) | 1742.22 | 1745.70 | 1752.44 | 1753.30 | 1764.80 (5/3) | 1578.73 (8/1) |
| **HONG KONG** | | | | | | |
| Hang Seng Bank (31/7/64) | 5371.77 | 5330.17 | 5287.78 | 5189.03 | 5371.77 (27/4) | 4301.78 (2/1) |
| **IRELAND** | | | | | | |
| ISEQ Overall (4/1/88) | 1432.26 | 1422.40 | 1423.30 | 1422.76 | 1469.57 (17/1) | 1346.61 (3/4) |
| **ITALY** | | | | | | |
| Banca Com. Ital. (1972) | 508.43 | 508.56 | 510.14 | 507.15 | 551.59 (6/2) | 496.23 (9/4) |
| MIB General (2/1/92) | 1002.0 | 1002.0 | 1005.0 | 999.0 | 1086.00 (5/2) | 977.00 (30/3) |
| **JAPAN** | | | | | | |
| Nikkei (16/5/49) | 17450.52 | 17542.45 | 17402.06 | 16839.12 | 23801.18 (6/1) | 16598.15 (9/4) |
| Tokyo SE (Topix) (4/1/68) | 1312.85 | 1313.91 | 1315.03 | 1283.63 | 1763.43 (6/1) | 1196.19 (9/4) |
| 2nd Section (4/1/68) | 1926.26 | 1925.44 | 1921.37 | 1929.75 | 2459.85 (6/1) | 1910.56 (9/4) |
| **MALAYSIA** | | | | | | |
| KLSE Composite (4/4/86) | 581.02 | 583.71 | 582.9 | 573.95 | 619.06 (20/2) | 546.63 (14/1) |
| **NETHERLANDS** | | | | | | |
| CBS Tl.Rtn.Gen.(End 1983) | 300.9 | 301.0 | 300.1 | 300.2 | 301.00 (24/4) | 274.00 (8/1) |
| CBS All Shr (End 1983) | 210.6 | 210.7 | 210.3 | 210.5 | 210.70 (24/4) | 192.40 (8/1) |
| **NORWAY** | | | | | | |
| Oslo SE (Ind) (2/1/83) | 710.08 | 708.21 | 705.21 | 705.70 | 748.03 (17/1) | 667.88 (25/2) |
| **PHILIPPINES** | | | | | | |
| Manila Comp (2/1/85) | 1190.87 | 1174.68 | 1178.30 | 1164.39 | 1303.30 (17/1) | 1083.01 (17/3) |
| **SINGAPORE** | | | | | | |
| SES All-Singapore (2/4/75) | 383.99 | 383.74 | 381.85 | 381.44 | 416.99 (21/1) | 370.13 (9/4) |
| **SOUTH AFRICA** | | | | | | |
| JSE Gold (28/9/78) | 1017.04 | 1006.0 | 1023.0 | 1023.0 | 1327.00 (21/1) | 1006.00 (24/4) |
| JSE Industrial (28/9/78) | 4225.04 | 4216.0 | 4219.0 | 4192.0 | 4535.00 (15/1) | 4169.00 (2/1) |
| **SOUTH KOREA**** | | | | | | |
| Korea Comp Ex. (4/1/80) | 608.06 | 595.88 | 582.87 | 584.22 | 691.48 (8/2) | 569.65 (10/4) |
| **SPAIN** | | | | | | |
| Madrid SE (30/12/85) | 249.93 | 250.03 | 249.59 | 251.41 | 266.51 (28/2) | 238.93 (2/1) |
| **SWEDEN** | | | | | | |
| Affarsvarlden Gen. (1/2/37) | 987.1 | 987.3 | 984.2 | 980.00 | 1009.70 (20/3) | 913.70 (2/1) |
| **SWITZERLAND** | | | | | | |
| Swiss Bank Ind (31/12/58) | 839.1 | 838.5 | 841.6 | 833.3 | 841.60 (23/4) | 748.50 (8/1) |
| SBC General (1/4/87) | 656.0 | 655.5 | 657.3 | 654.4 | 657.30 (23/4) | 601.10 (8/1) |
| **TAIWAN**** | | | | | | |
| Weighted Price (30/6/66) | 4486.45 | 4480.12 | 4470.31 | 4505.07 | 5391.63 (30/1) | 4405.44 (13/4) |
| **THAILAND** | | | | | | |
| Bangok SET (30/4/75) | 774.52 | 794.81 | 797.67 | 786.93 | 832.39 (7/4) | 711.81 (3/1) |
| **WORLD** | | | | | | |
| M.S. Capital Intl.(1/1/70) ($) | 490.9* | 490.3 | 489.8 | 486.1 | 542.10 (7/1) | 467.58 (8/4) |
| Euro Top-100 (26/6/90) | 949.12 | 943.09 | 943.24 | 943.68 | 949.12 (27/4) | 870.31 (2/1) |

**Saturday April 25: Taiwan Weighted Price: 4441.57, Korea Comp Ex 594.88.
‡ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all Indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000. JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable

## TOKYO - Most Active Stocks

Monday 27 April 1992

| | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|
| Minebea | 5.1m | 507 | +8 |
| Toray Industries | 4.3m | 621 | +12 |
| Nippon Chem | 4.0m | 687 | +37 |
| Hitachi | 3.7m | 849 | +4 |
| Citizen Watch | 3.7m | 882 | |
| Toshiba Corp | 2.9m | 641 | +2 |
| Fujitsu Ltd | 2.6m | 718 | +8 |
| Suzuki Motor | 2.6m | 725 | +21 |
| TEAC | 2.4m | 1,020 | -30 |
| ASICS Corp | 2.3m | 510 | +25 |

Total Sales 8,681,700 shares

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

*4:00 pm prices April 27*

| 1992 High | 1992 Low | Stock | Div. | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 15⅞ | 12¼ | AAR Corp | 0.48 | 3.4 | 16 | 87 | 13⅞ | 13¼ | 13⅞ | -⅛ |
| 26 | 20⅝ | A L Labs A | 0.18 | 0.8 | 109 | 88 | 23⅛ | 23 | 23 | +⅛ |
| 68¼ | 56 | AMP Inc | 1.52 | 2.5 | 24 | 892 | 60 | 59¼ | 59⅞ | +¼ |
| 80¼ | 64¼ | AMR | | | 32 | 97431 | 66⅞ | 65¼ | 66 | +½ |
| 2⅜ | 1⅜ | ARX | | | 2 | 156 | 2 | 1⅞ | 1⅞ | |
| 63½ | 41 | ASA | 2.00 | 4.8 | 12 | 222 | 41¾ | 41½ | 41⅝ | -⅛ |
| 68⅛ | 58¼ | Abbott Lab | 1.20 | 1.9 | 23 | 3448 | 63 | 62⅛ | 62½ | +¼ |
| 13⅞ | 12 | Abitibi Pr | 0.43 | 3.5 | 8 | 26 | 12⅜ | 12⅜ | 12⅜ | +⅛ |
| 11⅝ | 10⅛ | ACM Gvt In | 0.96 | 9.2 | | 519 | 10½ | 10⅜ | 10⅜ | -⅛ |
| 10⅞ | 9⅛ | ACM GvOpp | 0.80 | 8.6 | | 103 | 9¼ | 9¼ | 9¼ | |
| 9½ | 8½ | ACM Gn Sp x | 0.80 | 9.1 | | 366 | 8¾ | 8⅝ | 8¾ | |
| 11¼ | 10⅛ | ACM Gvt Se x | 0.96 | 9.2 | | 251 | 10⅜ | 10¼ | 10⅜ | +¼ |
| 9⅞ | 8⅝ | ACM Man | 0.95 | 10.4 | | 144 | 9⅛ | 9 | 9⅛ | +⅛ |
| 12⅞ | 10⅝ | ACM Managd | 1.08 | 9.9 | | 30 | 11 | 10⅞ | 10⅞ | -⅛ |
| 11⅞ | 7 | Acme Clevd x | 0.40 | 4.8 | 36 | 185 | 8⅛ | 8¼ | 8⅛ | -¼ |
| 8¼ | 4½ | Acme Elect | | | 4 | 17 | 5⅞ | 5⅝ | 5⅞ | |
| 33¼ | 18⅞ | Acuson | | | 12 | 1208 | 20 | 19⅝ | 19⅞ | |
| 19½ | 18⅛ | Adams Expr | 0.48 | 2.6 | 0 | 125 | 18⅝ | 18⅜ | 18½ | -⅛ |
| 15½ | 13 | Adobe12Pf | 2.40 | 15.9 | | 162 | 15⅛ | 14⅝ | 15⅛ | +½ |
| 5⅜ | 4½ | Adobe Res | | | 2 | 46 | 5¼ | 5 | 5¼ | +¼ |
| 49⅛ | 39 | Ad Micro | 3.00 | 7.5 | | 75 | 40 | 39½ | 39¾ | +¼ |
| 21½ | 14⅝ | Ad Micro P | 3.00 | 19.7 | | 83231 | 15¼ | 14⅞ | 15¼ | +¼ |
| 9⅛ | 5 | Advest Grp | 0.16 | 2.4 | 66 | 85 | 6⅝ | 6⅜ | 6⅝ | +⅛ |
| 71¾ | 67⅛ | Aegon ADR | 1.50 | 2.2 | 6 | 7 | 69⅛ | 68¾ | 68¾ | |
| 47 | 39 | Aetna Li x | 2.76 | 6.6 | | 92438 | 42¼ | 41⅜ | 41½ | -1 |
| 12 | 8⅛ | Ahi A | 0.24 | 2.2 | 11 | 608 | 10⅝ | 10½ | 10⅝ | |
| 32⅞ | 24 | Alliac | 0.40 | 1.5 | 14 | 869 | 26⅜ | 26⅛ | 26¼ | +⅜ |
| 19⅜ | 15⅛ | Ahmanson | 0.88 | 5.1 | | 83456 | 17⅛ | 17 | 17¼ | +⅜ |
| 22½ | 12½ | Aileen Inc | | | 10 | 200 | 13¼ | d12½ | 12¾ | -½ |

| 1992 High | 1992 Low | Stock | Div. | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 23⅞ | 14⅝ | Brazil Fnd | | | | 1747 | 22¼ | 20¼ | 21 | -1 |
| 31⅞ | 28⅜ | BRE Prop | 2.40 | 7.8 | 15 | 49 | 30⅞ | 30½ | 30⅞ | +⅜ |
| 54⅞ | 41⅛ | Briggs & S | 1.60 | 3.3 | 14 | 101 | 49 | 48⅛ | 49 | +⅜ |
| 41¼ | 34⅛ | Brinkerint | | | 31 | 859 | 36½ | d34 | 34⅛ | -2½ |
| 90⅛ | 71⅞ | Bristol M | 2.76 | 3.7 | 18 | 7991 | 75 | 73¼ | 74⅜ | +⅝ |
| 49⅛ | 36½ | Brit Airwy | 1.73 | 3.6 | 35 | 977 | 48⅛ | 47⅞ | 47⅞ | +⅛ |
| 48½ | 40¼ | Brit Gas | 2.60 | 5.3 | 12 | 335 | 48⅞ | 48⅝ | 48⅝ | +⅜ |
| 66⅜ | 50¼ | BP ADR | 3.99 | 7.2 | 32 | 6339 | 55¾ | 54⅛ | 55½ | +1⅝ |
| 31⅞ | 27⅞ | BP Prudhoe | 2.48 | 8.4 | 9 | 188 | 29¼ | 29½ | 29⅝ | |
| 1⅞ | ⅝ | BP Wts93 | | | | 1238 | ⅞ | d11/16 | 11/16 | |
| 14⅜ | 11⅛ | Brit Steel | 1.70 | 12.2 | 8 | 497 | 14⅛ | 13¾ | 13⅞ | -⅛ |
| 63½ | 53⅞ | Brit Tel | 2.72 | 4.4 | 10 | 1365 | 62½ | 62 | 62¼ | -⅜ |
| 21 | 16 | Broad Inc | 0.20 | 1.2 | 11 | 441 | 16⅞ | 16⅜ | 16½ | -⅛ |
| 33 | 26⅞ | BrklnPfd | 2.47 | 9.1 | | 3 | 27½ | 27½ | 27 | -½ |
| 30⅜ | 28 | Brooklyn U | 1.94 | 6.7 | 14 | 50 | 28⅞ | 28½ | 28¾ | |
| 90 | 72 | BrwnFormnB | 2.44 | 3.3 | 14 | 91 | 74½ | 74¼ | 74½ | +¼ |
| 28¾ | 23⅛ | Brown Grp | 1.60 | 6.5 | 22 | 125 | 24⅞ | 24½ | 24½ | -¼ |
| 10½ | 8½ | Brown&Shrp | 0.32 | 3.6 | 14 | 11 | 8⅞ | 8⅞ | 8⅞ | -⅛ |
| 24⅞ | 20¼ | Browning F | 0.68 | 3.2 | 18 | 881 | 21⅝ | 21½ | 21½ | -⅛ |
| 3⅞ | 2 | BRT | | | 1 | 4 | 2½ | 2½ | 2½ | +⅛ |
| 17⅞ | 13⅝ | Brunswick | 0.44 | 2.6 | 57 | 01095 | 17⅛ | 16¾ | 17⅛ | +⅜ |
| 19 | 12⅜ | Brush Well | 0.20 | 1.2 | 9 | 116 | 17⅛ | 16⅞ | 17⅛ | |
| 30⅞ | 25⅞ | Buckeye Pr | 2.60 | 9.4 | 10 | 29 | 27½ | 27⅜ | 27½ | +⅛ |
| 16⅜ | 15⅛ | Bunker Hill | 1.52 | 9.6 | 0 | 70 | 15¾ | 15¼ | 15¾ | |
| 73½ | 11⅛ | Burger K I | 1.58 | 11.9 | | 15z100 | 13¼ | 13¼ | 13¼ | |
| 24¾ | 17 | Burl Coat | | | 12 | 168 | 23½ | 21⅞ | 21⅞ | -1⅝ |
| 46⅛ | 38⅛ | Burl North | 1.20 | 2.7 | 17 | 2802 | 46⅛ | 44 | 45 | -⅛ |
| 39⅞ | 33 | Burlin Resc | 0.70 | 1.7 | 27 | 4595 | u40⅛ | 39⅜ | 40⅜ | +⅝ |
| 18 | 14⅝ | Burnham Pc | 1.36 | 8.4 | 40 | 175 | 16⅛ | 16¼ | 16¼ | |

Continued on next page

# NYSE COMPOSITE PRICES

Continued from previous page

| 1992 High | Low | Stock | Div. | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 14¼ | 13 | Salomon Br. | 1.61 | 11.8 | | 258 | 13¾ | 13⅝ | 13⅝ | |
| 32½ | 26¾ | Salomoninc | 0.64 | 2.1 | 7 | 1574 | 30½ | 29¾ | 29⅞ | -⅛ |
| 45⅜ | 42⅛ | SanDgo G&E | 2.86 | 6.6 | 12 | 380 | 43⅞ | 43½ | 43⅞ | +¼ |
| 3⅜ | 2⅝ | SantaFeEDu | 0.40 | 14.5 | 22 | 35 | 2⅞ | 2¾ | 2¾ | |
| 9¼ | 7 | SantaFeERs | 0.16 | 1.8 | 215 | 1868 | 8⅝ | 8½ | 8⅝ | +⅛ |
| 35⅝ | 30¾ | SantaFePac x | 2.80 | 8.8 | 10 | 114 | 33¼ | 32¼ | 32½ | -1 |
| 14⅛ | 11 | SantaFeSth | | | 27 | 2584 | 13⅛ | 12⅝ | 12⅞ | -⅛ |
| 57 | 48⅝ | Sara Lee | 1.00 | 2.0 | 17 | 2099 | 49⅞ | 49¼ | 49⅝ | +⅜ |
| 9½ | 1¾ | Savin | | | 0 | 246 | 2¼ | 2⅛ | 2¼ | +⅛ |
| 3¼ | ⅞ | Savin 0.80 | 0.80 | 80.0 | | 63 | 1 | 1 | 1 | |
| 44⅜ | 35⅝ | Scana Corp | 2.68 | 6.8 | 12 | 200 | 39½ | 39¼ | 39½ | +⅛ |
| 47⅞ | 40¼ | Scecorp | 2.72 | 6.6 | 12 | 612 | 41½ | 41¼ | 41¼ | -¼ |
| 68 | 51¼ | ScheringPl | 1.32 | 2.5 | 16 | 2659 | 53½ | 52½ | 53¼ | +⅝ |
| 64¼ | 52¾ | Sch'berger | 1.20 | 1.9 | 17 | 5262 | 62⅝ | 61¾ | 62 | +¼ |
| 37⅞ | 26½ | Schwab(C) x | 0.24 | 0.8 | 16 | 807 | 28½ | 27⅞ | 28½ | +¼ |
| 9⅜ | 6¾ | Schwitzer | | | 39 | 73 | 9 | 8¾ | 9 | +⅛ |
| 19¾ | 15⅞ | ScientAtln | 0.16 | 1.0 | 108 | 167 | 16⅛ | 16 | 16 | |
| 9½ | 7⅛ | Scotman | 0.10 | 1.2 | 12 | 33 | 8¼ | 8 | 8¼ | +¼ |
| 46 | 34½ | ScottPaper | 0.80 | 1.8 | 27 | 1689 | 45⅛ | 44½ | 44⅞ | -⅛ |
| 18⅛ | 13⅜ | ScuddrNAsF | 0.18 | 1.1 | | 28 | 15⅞ | 15⅝ | 15⅞ | |
| 9¼ | 8⅜ | ScuddrNEuF | 0.30 | 3.4 | | 219 | 8⅞ | 8¾ | 8⅞ | +⅛ |
| 24 | 16 | Sea Cont | 0.70 | 4.1 | 5 | 245 | 17¼ | 16⅞ | 17⅛ | +¼ |
| 15⅝ | 14⅞ | SeaC1.4625 | 1.46 | 9.7 | | 34 | 16 | d14⅞ | 15 | |
| 123½ | 108½ | Seagram Co | 2.00 | 1.7 | 15 | 378 | 119⅞ | 118¼ | 118⅝ | -1⅛ |
| 26 | 21⅝ | Seagull En | | | 56 | 467 | u25¼ | 25½ | 25⅝ | -⅛ |
| 56⅞ | 44⅞ | Sealed Air | | | 28 | 37 | 50⅛ | 50 | 50⅛ | +⅛ |
| 19½ | 12⅛ | SPX Corp | 0.40 | 2.1 | 84 | 72 | 18⅞ | 18¼ | 18⅝ | +⅛ |
| 48 | 37 | Sears Roeb | 2.00 | 4.7 | 12 | 9215 | 43⅞ | 41⅞ | 42⅝ | -1 |
| 12½ | 11⅞ | Seligm Sel | 0.84 | 6.8 | | 25 | 12¼ | 12¼ | 12¼ | +⅛ |
| 31¼ | 24¾ | Sensormat | 0.30 | 1.1 | 27 | 930 | 27⅞ | 27¼ | 27⅞ | |

| 1992 High | Low | Stock | Div. | Yld. % | P/E | Sls 100s | High | Low | Close Quote |
|---|---|---|---|---|---|---|---|---|---|
| 60 | 45¼ | Telmex ADR | | | | 8328 | 58⅞ | 57 | 57½ |
| 57½ | 50 | Templeinl | 0.96 | 1.8 | 22 | 490 | 54¼ | 53⅛ | 53⅛ |
| 24 | 21 | TempltEmMk | 3.90 | 17.3 | | 220 | 22⅝ | 22¼ | 22½ |
| 9¾ | 8⅞ | TempltGlob x | 0.84 | 9.0 | | 75 | 9⅜ | 9¼ | 9⅜ |
| 9⅜ | 8⅝ | TempltGlFd | 0.84 | 9.3 | | 662 | 9 | d8⅞ | 9 |
| 44½ | 31¼ | Tennecoinc | 1.60 | 3.6 | | 78064 | u44½ | 42⅞ | 44⅛ |
| 21¾ | 19½ | Teppco Ptx x | 2.20 | 10.5 | 14 | 201 | 21 | 20⅞ | 21 |
| 20⅞ | 12⅞ | Teradyne | | | | 161815 | 13¼ | d12¾ | 13¼ |
| 18½ | 12¾ | Terex | 0.06 | 0.4 | 4 | 44 | 16 | 15¾ | 15⅞ |
| 6⅝ | 4½ | Tesoro Pet | | | 8 | 7 | 4⅝ | 4⅝ | 4⅝ |
| 63⅝ | 58¼ | Texaco | 3.20 | 5.2 | | 132668 | 62⅛ | 61 | 61½ |
| 54½ | 52 | Texaco C | 3.75 | 7.1 | | 3 | 52¾ | 52⅝ | 52⅝ |
| 22 | 19½ | Texas Ind x | 0.20 | 1.0 | 87 | 5 | 20 | 20 | 20¼ |
| 40½ | 30 | Texas Inst | 0.72 | 2.1 | 13 | 914 | 34¾ | 34½ | 34½ |
| 23¼ | 18¼ | Texas Pac | 0.40 | 2.0 | 28 | 40 | 19⅞ | 19½ | 19⅝ |
| 42 | 37 | Texas Util | 3.04 | 8.0 | 19 | 1866 | 38 | 37⅞ | 37⅞ |
| 10¼ | 9⅜ | Texfi Pf | 1.10 | 10.9 | | z100 | 10⅛ | 10⅛ | 10⅛ |
| 8½ | 4⅞ | Texfi Inds | 1.10 | 12.8 | 6 | 195 | u8¾ | 8½ | 8⅝ |
| 39⅞ | 33⅝ | Textron | 1.12 | 3.2 | 10 | 1036 | 34⅝ | 34 | 34⅝ |
| 6⅛ | 4¾ | Thackeray | | | | 22z100 | 5⅜ | 5⅜ | 5⅜ |
| 9⅜ | 8⅜ | Thai Cap | | | | 220 | 8½ | d8¼ | 8¼ |
| 18⅞ | 13¾ | Thai Fund | 2.72 | 17.0 | | 26 | 16¼ | 16 | 16 |
| 47½ | 37¾ | ThermoElec | | | 20 | 359 | 40⅞ | 40⅞ | 40½ |
| 17½ | 13¾ | Thiokol | 0.36 | 2.3 | 5 | 234 | 15⅝ | 15⅜ | 15⅜ |
| 65¼ | 55¼ | Thomas & B | 2.24 | 4.0 | 19 | 962 | 56 | d54¾ | 56 |
| 14⅛ | 10½ | Thomas Ind | 0.40 | 3.4 | 387 | 24 | 11⅝ | 11½ | 11⅝ |
| 19½ | 15⅞ | Thomson Ad x | 1.28 | 8.5 | 7 | 110 | 15⅜ | d14⅝ | 15 |
| 14⅞ | 11⅛ | Tidewater | | | | 131787 | u14⅞ | 14⅝ | 14⅞ |
| 52⅞ | 42 | Tiffany | 0.28 | 0.6 | 21 | 882 | 43½ | 42¾ | 42⅞ |
| 50½ | 45¼ | TimeWn8.75 | 4.38 | 9.0 | | 305 | 48⅞ | 48¼ | 48⅞ |

- V -

| 1992 High | Low | Stock | Div. | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 29⅝ | 22⅝ | USX US Stl | 1.00 | 4.2 | 3 | 813 | 24⅝ | 23⅝ | 23⅝ | -⅞ |
| 28⅛ | 25½ | Utilop1.775 | 1.78 | 6.9 | | 5 | 25½ | d25¼ | 25¼ | -¼ |
| 29 | 26 | Utilicorp | 1.60 | 6.2 | 11 | 520 | 26⅛ | d25¾ | 25¾ | -⅜ |
| 47⅞ | 38⅛ | VF Corp | 1.08 | 2.3 | 15 | 972 | 47⅛ | 46 | 46 | -1 |
| | | VMS Mtge F | | | | 0 51 | | | | |
| 33⅝ | 27⅞ | Valero En | 0.36 | 1.3 | | 924 | 28½ | d27⅞ | 28 | -½ |
| 11⅜ | 7¾ | ValeroNGas | 2.50 | 27.4 | 4 | 628 | 9⅛ | 9 | 9⅛ | |
| 7 | 5⅛ | Valhi Inc | 0.20 | 3.6 | 31 | 20 | 5⅝ | 5½ | 5⅝ | |

| 1992 High | Low | Stock | Div. | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 39⅞ | 35⅝ | WiscEnergy | 1.95 | 5.0 | 13 | 831 | 38¾ | 38⅝ | 38¾ | +⅛ |
| 28⅝ | 26⅛ | WiscPubSv | 1.70 | 6.2 | 12 | 79 | 27½ | 27⅛ | 27¼ | -¼ |
| 49⅜ | 40 | Witco Corp | 1.84 | 4.0 | 14 | 73 | 45⅞ | 45⅜ | 45⅞ | -½ |
| 14 | 10 | Wolverine | 0.16 | 1.4 | 8 | 309 | 12⅛ | 11½ | 11½ | -1 |
| 32⅞ | 26¾ | Woolworth x | 1.12 | 3.9 | 69 | 3027 | 28⅞ | 28⅝ | 28⅝ | -⅜ |
| 13⅞ | 12½ | World Wide | 0.84 | 6.3 | | 15 | 13⅛ | 13¼ | 13⅜ | +¼ |
| 12⅝ | 9⅞ | Worldcorp | | | 14 | 50 | 10¼ | 10⅛ | 10¼ | |
| 86⅛ | 65⅜ | Wrigley | 1.00 | 1.3 | 22 | 160 | 75⅛ | 74⅛ | 74⅜ | -1⅛ |
| 16½ | 12⅜ | Wyle Labor | 0.28 | 1.9 | 15 | 157 | 15 | 14⅞ | 14⅞ | -⅛ |
| 20¼ | 16⅛ | Wynns Int | 0.60 | 3.1 | 19 | 40 | 19¾ | 19½ | 19½ | -¼ |

- X - Y - Z -

| 1992 High | Low | Stock | Div. | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 82¼ | 65½ | Xerox | 3.00 | 4.1 | 18 | 2286 | 77⅝ | 73¼ | 73¼ | -4⅝ |
| 53½ | 50½ | Xerox4.125 | | | | 102 | 52½ | 51¼ | 52½ | |
| 29½ | 24⅞ | Xtra 1.94 | 1.94 | 7.4 | | 71 | 26½ | 26⅛ | 26⅛ | -⅜ |
| 37 | 28½ | Xtra Corp | 0.80 | 2.4 | 13 | 108 | 33¼ | 32¾ | 32¾ | -⅜ |
| 27 | 25¼ | Yankee Egy | 1.60 | 6.1 | 12 | 7 | 26⅜ | 26¼ | 26¼ | -¼ |
| 1½ | ½ | Zapata | | | 28 | 226 | 1⅛ | 1⅛ | 1⅛ | |
| 11¼ | 7⅛ | ZenithElec | | | 3 | 351 | 7¼ | d7 | 7⅛ | -⅛ |
| 17¼ | 14½ | Zenith Nat x | 1.00 | 6.3 | 7 | 38 | 16 | 15¾ | 15⅞ | -¼ |
| 8⅞ | 6 | Zenix Inc x | 0.85 | 12.8 | | 164 | u6⅞ | 6⅝ | 6¾ | |
| 13¾ | 11⅛ | Zero Corp | 0.40 | 3.4 | 18 | 76 | 11⅞ | 11¾ | 11¾ | |
| 38 | 32⅝ | Zurn Ind | 0.88 | 2.6 | 14 | 128 | 33⅛ | 32⅞ | 33⅛ | +⅛ |
| 14⅛ | 12¾ | Zweig Fund | 1.16 | 9.0 | | 162 | 13 | 12⅞ | 12⅞ | -⅛ |
| 11 | 9⅞ | Zweig Totl | 1.00 | 9.7 | | 655 | 10½ | 10⅜ | 10⅜ | -⅛ |

*Price data supplied by Telekurs.*

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months. estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

# AMEX COMPOSITE PRICES

4:00 pm prices April 27

| Stock | Div. | P/E | Sls 100s | High | Low | Close | Chng |
|---|---|---|---|---|---|---|---|
| Champion | | 29 | 95 | 5⅜ | 5 | 5⅜ | +¼ |
| Chilles | | 0 | 21 | 1¼ | 1⅛ | 1⅛ | |
| Cntrl FdA | -0.01 | | 207 | 3⅞ | 3¾ | 3¾ | -1/16 |
| Cominco | 0.44 | 34 | 8 | 16¼ | 16⅛ | 16⅛ | -1/16 |
| Compurac | | 9 | 123 | 2⅛ | 2 | 2 | |
| Cond FdA | | 145 | z100 | 4¼ | 4¼ | 4⅜ | +⅛ |
| Corona A | 0.10 | 443 | 232 | 4½ | 4⅜ | 4⅞ | |
| CrossAT A | 1.28 | 19 | 206 | 24¼ | 23⅞ | 24¼ | |
| Crown C A | 0.40 | 35 | 10 | 22 | 22 | 21¾ | |
| Crown C B | 0.40 | 17 | 2 | 20⅝ | 20⅝ | 20⅜ | |
| Cubic | 0.53 | 11 | 23 | 18¼ | 18⅛ | 18¼ | +¼ |
| Customedix | | 8 | 51 | 1⅜ | 1⅜ | 1⅜ | |
| CypressFd | 0.36 | | 42 | 5⅞ | 5¾ | 5¾ | |
| DI Inds | | 29 | 22 | ⅞ | 27/32 | ⅞ | |
| Dicklsmn | | 6 | 9 | 4¼ | 4¼ | 4¼ | +⅛ |
| Duplex | 0.48 | 25 | 3 | 13⅛ | 13⅛ | 13⅛ | -⅛ |
| DWG Corp | | 11 | 823 | 8¼ | 8 | 8⅝ | +⅜ |
| Eastn Co | 0.58 | 11 | 4 | 13⅞ | 13⅞ | 14 | +⅛ |
| Eastgroup x | 1.76 | 6 | 35 | 13⅞ | 13¾ | 13¾ | |
| Echo Bay | 0.07 | 62 | 720 | 5⅞ | 5¾ | 5¾ | -⅛ |
| Ecol En A | 0.22 | 11 | 25 | 15 | 15 | 15 | |
| Edisto | | 0 | 1236 | ⅞ | d¼ | ¼ | |
| Engy Serv | | 11 | 324 | 1½ | 1⅜ | 1⅜ | |
| Fab Inds | 0.60 | 11 | 46 | 31 | 30½ | 30⅝ | -⅝ |
| Fed Inc A | 3.20 | 28 | z100 | 71⅜ | 71⅜ | 71¼ | |
| FstCityBnc | 0.10 | 10 | z100 | 7¼ | 7⅛ | 7⅜ | +⅛ |
| Fluke (J) | 0.48 | 53 | 79 | 31⅞ | 31½ | 31⅞ | +⅛ |
| Forest La | | 29 | 495 | 32⅛ | 31¾ | 32 | |
| Frequency | | 7 | 12 | 4⅛ | d4⅛ | 4⅛ | |
| Fr ofLoan | | 22 | 2862 | 36⅞ | 35¾ | 36 | -1 |
| FstAust | 1.06 | | 133 | u9⅞ | 9 13/16 | 9⅞ | +1/16 |
| Glant FdA | 0.68 | 14 | 229 | 21⅞ | 21 | 21⅛ | +⅛ |
| Glatfltr | 1.40 | 17 | 22 | 54¾ | 54⅝ | 54⅝ | |
| Goldfield | | 2 | 33 | ⅞ | ⅞ | ⅞ | -1/16 |
| Greenman | | 7 | 9 | 5½ | 5⅜ | 5⅜ | -¼ |
| GRI Corp | | 1 | 84 | ⅞ | ⅞ | ⅞ | |
| Gulf Cda | 0.35 | 10 | 253 | 6⅜ | 6 | 6 | -¼ |

| Stock | Div. | P/E | Sls 100s | High | Low | Close |
|---|---|---|---|---|---|---|
| Hasbro x | 0.20 | 27 | 428 | 25¾ | 25⅛ | 25¾ |
| Health Ch | | 41 | 8 | 2⅞ | 2⅞ | 2½ |
| Healthvst | | 100 | 40 | 3 | 2⅞ | 3 |
| Heico Cp | 0.15 | 13 | 160 | 13⅞ | 13⅞ | 13⅞ |
| Hillhaven | | 2 | 89 | 2⅜ | 2⅜ | 2⅜ |
| Horn&Hdt | | 0 | 70 | 1⅞ | 1⅝ | 1⅞ |
| Hovnanian | | 106 | 94 | 11⅞ | 11⅝ | 11¾ |
| ICH Corp | | 39 | 499 | 4⅛ | 4 | 4⅛ |
| InstSysPf | 0.25 | | 2 | 7 | 7 | 7 |
| Intermark | | 0 | 56 | ⅞ | ⅞ | ⅞ |
| IntTelchg | | 0 | 730 | ½ | ⅞ | ½ |
| Jan Bell | | 45 | 31 | 15½ | 15⅜ | 15⅜ |
| Kinark Cp | | 4 | 18 | 6½ | 6½ | 6½ |
| Kirby Exp | | 22 | 468 | 13⅞ | 13⅝ | 13⅝ |
| KLH Comp | | | 370 | ⅞ | d⅞ | ⅞ |
| Labarge | | 26 | 58 | 2⅛ | 2 | 2⅛ |
| Laser Ind | | 160 | 114 | 4½ | 4⅜ | 4½ |
| Lee Pharm | | 1 | 18 | 1⅜ | 1¼ | 1⅛ |
| Lionel Cp | | 0 | 8 | ⅞ | ⅞ | ⅞ |
| Lumex Inc | | 15 | 153 | 14 | 14 | 14 |
| Lynch Cp | | 18 | 17 | 20½ | 20⅛ | 20⅛ |
| MagmaCpB | | 7 | 676 | 6 | 5¾ | 5¾ |
| Media A | 0.44 | 7 | 44 | 18⅛ | 17⅞ | 18 |
| Mem Co | | 361 | 3 | 7⅝ | 7⅝ | 7⅝ |
| Michi Er | 0.40 | 16 | 598 | 15⅞ | 15⅝ | 15⅞ |
| Moog A | | 33 | 54 | 5½ | 5⅜ | 5⅜ |
| MSR Expl | | 1 | 83 | ⅞ | ⅞ | ⅞ |
| Nabors | | 12 | 2793 | 6¼ | 5⅞ | 6 |
| Nat Ptnt | | 108 | 684 | 4¼ | 3⅞ | 4¼ |
| New Line | | 20 | 370 | 13½ | 13¼ | 13¼ |
| NY TimesA | 0.56 | 33 | 402 | 30⅝ | 29¾ | 30⅛ |
| NthCanOil | 0.18 | 40 | 6 | 9 | 9 | 9 |
| NV Ryan | | 0 | 374 | 11/16 | 11/16 | ¾ |
| Odetics A | | 39 | 6 | 5½ | 5½ | 5½ |

# NORWAY

The FT proposes to publish this survey on **June 23rd 1992.**

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*Data source:* EBRS 1991*

FT SURVEYS

# NASDAQ NATIONAL MARKET

4:00 pm prices April 27

| Stock | Div. | P/E | Sls 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|---|
| Vanr Es x | 0.16 | 19 | 188 | 33½ | 32¾ | 33⅛ | +⅛ |
| Warrntech | | 78 | 892 | 3¼ | 3⅛ | 3⅛ | |
| WashMutB x | 0.48 | 7 | 1707 | 21⅛ | 20¾ | 21⅛ | |
| WshEnergy | 1.40 | 19 | 152 | 21¾ | 21¼ | 21½ | +⅛ |
| WashFedSL | 1.20 | 9 | 756 | 24 | d22½ | 23¼ | -¼ |
| WatsIndA | 0.28 | 19 | 200 | 51½ | 50 | 51 | -½ |
| Wausau PM | 0.34 | 18 | 152 | 45½ | 44 | 44⅛ | -⅜ |
| WD-40 | 1.80 | 17 | 813 | 43½ | 42 | 42¾ | -⅜ |
| Weitek | | 4 | 325 | 4½ | 4 | 4⅛ | -⅛ |
| West One | 1.04 | 13 | 478 | 41¼ | 39¾ | 40⅜ | -⅜ |
| WstnPubl | | 26 | 204 | 17⅛ | 16⅝ | 16⅝ | -¼ |
| Westmark | | 24 | 1797 | 51½ | d49¼ | 49 | -2 |
| WestnCoal | 0.32 | 10 | 127 | 17½ | 16¾ | 16¾ | |
| Wst SealA | | 27 | 20 | 9¼ | 9¼ | 9¼ | |
| Wetterau | 0.68 | 10 | 613 | 23¼ | 22 | 22 | -1¼ |
| Wicat Sys | | 89 | 122 | 4½ | 4⅛ | 4½ | +⅜ |
| Willmette | 1.68 | 30 | 482 | 78½ | 76 | 76 | -2 |
| WmsSonoma | | 94 | 9 | 14 | d13¼ | 13¼ | -½ |
| Wiser Oil | 0.40 | 54 | 6 | 15⅛ | 14⅞ | 15⅛ | +⅜ |
| Wolohan L | 0.28 | 14 | 74 | 20½ | 19½ | 20 | |
| Wolv Expl | | 0 | 156 | ¼ | 7/32 | ¼ | -1/16 |
| WrldWstA | | | 6 | 9/32 | 1/16 | 9/32 | +1/32 |
| Wthington | 0.48 | 26 | 1929 | 23¾ | 23 | 23⅛ | -⅜ |
| WPP Group | 1.11 | 1 | 512 | 2 3/16 | 2 1/16 | 2 1/16 | |
| Wyman-Gdn | 0.40 | 0 | 555 | 4⅞ | 4⅛ | 4⅝ | +¼ |

- X - Y - Z -

| Stock | Div. | P/E | Sls 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|---|
| Xilinx | | 27 | 1862 | 25¼ | 24¼ | 24¾ | -½ |
| Xoma Corp | | 7 | 2098 | 14 | 13½ | 14 | +⅜ |
| Yellow Fr | 0.94 | 32 | 2705 | 32 | 30⅛ | 30¼ | -1¼ |
| York Rsch | | 39 | 1446 | 5⅛ | 4¾ | 4⅞ | -⅜ |
| ZionsUtah | 1.44 | 10 | 275 | 52 | 50½ | 50½ | -½ |

AMERICA

# US equities depressed by supply worries

## Wall Street

US SHARE prices fell across the board in quiet trading yesterday as concern about supply pressures, and economic statistics expected later this week, kept buying to a minimum, *writes Patrick Harverson in New York.*

At the close the Dow Jones Industrial Average was down 19.90 at 3,304.56. The more broadly based Standard & Poor's 500 lost 5.95 to 566.94, while the Nasdaq composite index slipped 2.01 to 570.88. NYSE turnover was 173m shares, and declines outpaced rises by 888 to 773.

Last week's news that General Motors plans a worldwide offering of common stock that could raise as much as $2.3bn has prompted the question whether there is sufficient demand from investors to soak up newly issued stock without sending share prices lower.

The market was also wary of the approaching economic data, which should provide an indication of how fast the recovery is progressing. Today is the busiest day for numbers, with first-quarter gross domestic product, March new single-family home sales, and the Conference Board's April consumer confidence index all due for release.

General Motors fell at first but recovered to end $⅛ up on balance at $39¾ in turnover of 2.2m shares as investors continued to react to last Friday's announcement of a planned offering of 50m shares.

Compaq dropped $3¼ to $23⅝ on 2.2m shares traded after the computer company reported first-quarter profits of only 53 cents a share, well down from the $1.26 a share earned a year ago.

The weakness in Compaq spread through the sector, with Hewlett-Packard falling $1¼ to $77¼. Digital slipping $1⅜ to $44½ and Unisys easing $¼.

Nike retreated $2¾ to $61½ on press reports that it could be faced with serious logistical problems if the European Community introduces quotas restricting imports of shoes made in China. Although exact figures are not available, a significant proportion of Nike's sports shoes are made in the Far East, including China, South Korea, Taiwan and Thailand.

On the Nasdaq market, US Healthcare climbed $2¼ to $47¼ in heavy trading in response to first-quarter net income of 63 cents a share, above both last year's figure and the range of analysts' estimates.

In the same sector, Basic American Medical jumped $2⅞ to $18½ on news that Columbia Hospital (down $1⅞ at $18¼) will take over the company in a $185m stock swap. Medical Care International declined $1¼ to $57¾ after announcing first-quarter profits below market expectations.

## Canada

THE TORONTO market weakened throughout the session in thin trading as nervousness over the extent of Olympia & York's debt troubles continued to depress the real estate and banking sectors.

The composite index ended 23.2 lower at 3,326.4 and falls led rises by 357 to 172 after volume of 18.7m shares.

Lenders to O & Y gave the cash-strapped property giant far less than requested. The bankers provided O & Y with only enough funds to keep Canary Wharf operating until the end of the week.

## SOUTH AFRICA

**A WEAKER financial rand boosted shares in companies with overseas income. The overall index added 15 to 3,386, while the gold index rose 11 to 1,017. Industrials put on 9 to 4,225. Anglos rose R1 to R111.75.**

EUROPE

# German uncertainty casts shadow on bourses

POLITICAL and industrial uncertainty in Germany cast a shadow on continental trading. Zurich was closed for a holiday, *writes Our Markets Staff.*

FRANKFURT took the start of the public service workers' strike in western Germany and the sudden resignations in Chancellor Helmut Kohl's cabinet in its stride. The DAX index closed down 3.48 at 1,742.22 while the FAZ index, calculated at midsession, shed 2.35 to 708.46. Turnover fell to DM4.4bn from DM5bn.

Some analysts said that the market's reaction to the strike had been positive so far since the government had demonstrated that it was not prepared to concede to union pressure over pay claims. However, a prolonged strike would erode share prices, they said.

Chemicals stood out in a dull day for corporate news. Bayer gained DM1.90 to DM289 ahead of its dividend payout later this week while Hoechst fell DM1.20 to DM262.30. Basf was 40 pfg lower at DM249.90.

| FT-SE Eurotrack 100 - Apr 27 | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Hourly changes** | | | | | | | |
| Open | 10 am | 11 am | 12 pm | 1 pm | 2 pm | 3 pm | close |
| 1164.76 | 1166.13 | 1167.31 | 1167.47 | 1168.43 | 1170.13 | 1169.98 | 1169.59 |
| Day's High 1170.33 | | | | Day's Low 1164.72 | | | |
| Apr 24 | Apr 23 | Apr 22 | Apr 21 | Apr 16 | | | |
| 1167.02 | 1169.11 | 1171.34 | 1166.73 | 1169.83 | | | |

Base value 1000 (26/10/90).

Siemens rose 90 pfg to DM687.90. After the close it announced an 8 per cent increase in six-month net profit.

Berliner Bank closed DM2.50 higher at DM269.50 after announcing a 23 per cent rise in 1991 net profit. The three major banks were weaker, with Deutsche Bank down DM2.50 to DM713. Elsewhere, Horten, which said that it was to increase its 1991 dividend by DM1 to DM5, shed 70 pfg to DM180.

PARIS came close to breaking above the elusive 2,000 barrier on the CAC-40 index in late trading, spurred by a recovery in bond prices and a strong franc. The CAC-40 index ended 10.81 higher at 1,995.72, just below the day's high of 1,998.45 and well up on the day's low of 1,973.39. Turnover was thin at FFr1.8bn.

Michelin ran into profit-taking after last week's gains, losing FFr3.70 to FFr204.70 in heavy volume of 450,450 shares. But Peugeot continued its advance, buoyed up by news that it planned to increase its dividend payout in coming years. The stock added FFr12 to FFr770.

Eurotunnel remained weak, losing FFr1.35 or 3.6 per cent to FFr35.65 with a heavy 2.3m shares traded. The tube maker Vallourec lost another FFr13 to FFr223 after a negative analysts' meeting last Friday. Moulinex had a volatile day, falling as low as FFr162.50 after the company turned less positive on 1992, but ended just FFr1 lower at FFr172 with 70,800 shares traded.

MILAN closed unchanged, as continued strength in the car sector offset weaker prices elsewhere. News that President Francesco Cossiga had resigned had little impact on the market. The Comit index fell 0.43 to 508.43 in turnover estimated at less than Friday's L91.1bn.

Pirelli, actively traded last week, gave the first boost to the market, gaining L40 to L1,405. But some analysts said it was time to take profits on the stock. Fiat closed L8 higher at L4,985. But Stet continued last week's decline, closing L20 down at L2,100 and Sip lost L5.5 to L1,452.5. Benetton fell L350 to L13,600.

STOCKHOLM weakened at the start on interest rate worries but steady gains by Astra, Ericsson and Electrolux helped reverse the trend. The Affärsvärlden general index eased 0.2 to 987.1 in heavy turnover of SKr784m after SKr586m, bloated by an off-market SKr365m block trade in Electrolux shares at SKr260 each, amounting to just under 2 per cent of the company's equity. The B shares closed at SKr262, up SKr3.

Volvo B shares rose SKr6 to a new year's high of SKr446 ahead of the annual meeting tomorrow.

BRUSSELS saw its recent favourite Delhaize fall BFr330 or 3.6 per cent to BFr9,360 with more than 15,570 shares traded following worse-than-expected results from its US division.

The Bel-20 index dropped 11.20 to 1,210.38 in turnover of BFr700m. Petrofina lost BFr50 to BFr10,850 after news that its US division had recorded a first quarter loss.

AMSTERDAM's CBS Tendency index lost 0.7 to 127.9 in turnover of Fl 437.1m. Begemann rose Fl 8.00 or 7.5 per cent to Fl 113.50 on strong retail buying. This followed a newspaper interview with the chairman at the weekend in which he said that the group's market value was too low.

ING, which reports 1991 earnings today, was 50 cents down at Fl 50.30. Nedlloyd declined 90 cents to Fl 57.40 after Mr Torstein Hagen, a major shareholder, confirmed that he has an option on a further 5 per cent of the stock.

MADRID fell in dull trade. The general index shed 0.1 to 249.93 in turnover of some Pta8.4bn. Repsol gained Pta5 to Pta2,840 on expectations of good first quarter results, due early next month.

OSLO's all-share index gained 1.38 to 427.33 in turnover of NKr280m. Norsk Hydro, due to announce first quarter results tomorrow, advanced NKr1.5 to NKr161.

ISTANBUL fell following a number of disappointing first quarter results. The index was down 95.8 or 2.6 per cent at 3,717.88.

ASIA PACIFIC

# Arbitrage unwinding breaks Nikkei's three-day gain

## Tokyo

ARBITRAGE unwinding and declines in the US on Friday pushed the Nikkei average down in thin trading yesterday after three consecutive gains, *writes Neil Weinberg in Tokyo.*

The 225-issue index lost 91.93 to 17,450.52 after reaching a day's high of 17,615.72 and a low of 17,301.08.

The Topix index of all first section shares eased 1.06 to 1,312.85, but rises led declines by 510 to 448, with 171 issues unchanged. Volume fell to 200m shares from Friday's 300m. In London the ISE/Nikkei 50 index was off 0.02 at 1,071.12.

With the market trading at a premium to futures, investors took to selling shares and buying futures to unwind arbitrage positions, pushing the index to an intraday low in the first hour.

Prices then recovered on investment trust and pension fund buying, with activity focused on large-capital and speculative issues, such as Mineba, the day's most active stock, which rose Y8 to Y507.

The market largely shrugged off the weekend meeting of the Group of Seven nations. The yen was mixed in spite of official statements in support of a strengthening against other major currencies.

Mr Ross Purdie of S.G. Warburg Securities said: "The G7 meetings are being viewed from an exchange rate point of view or news of environment-related initiatives. An external shock such as a swing in the yen or overseas stock markets could have a very pronounced effect on Japanese stocks in this type of trading."

The government has recently announced a number of initiatives to support the market: it is allowing the establishment of investment trusts that are pooling corporate funds for repurchase of their own stocks, and has announced a rise in the proportion of national pension funds allotted for stock investments over the next few months.

There was some bargain hunting of blue chips later in the day by domestic pension funds and investment trusts. Leading electricals remained in the spotlight, with TDK adding Y90 at Y4,450 and NEC firming Y10 to Y1,040.

Pharmaceuticals also fared well, with Daiichi gaining Y40 to Y1,480 and Yamanouchi advancing Y20 to Y2,600. Motorcycle makers have also garnered buying interest in recent sessions, on expected strong demand from China and south-east Asia. Honda Motor finished Y10 up at Y1,600.

Financial shares were widely lower, with Tokio Marine & Fire receding Y12 to Y998 on a weak earnings outlook and Mitsubishi Bank declining Y40 to Y1,800.

Department stores also retreated: Mitsukoshi and Takashimaya both dropped to lows for the year and closed off Y19 at Y820 and Y40 at Y1,100 respectively.

In Osaka, the OSE average put on 83.40 to 19,755.13 in volume of 11.7m shares.

## Roundup

IN A MIXED day for Pacific Rim markets, Hong Kong climbed for the fifth consecutive session. Bombay remained closed as brokers continued their boycott.

HONG KONG extended its gains in spite of some profit-taking early in the day. The Hang Seng index rose 41.60 to 5,371.77. Turnover dipped to HK$3.16bn from HK$4.02bn.

Cheung Kong was the most active stock, gaining 20 cents to HK$22.50, while Jardine Matheson was 50 cents stronger at HK$51.

SINGAPORE advanced as blue chips found buyers, but profit-taking trimmed the gains in the afternoon. The Straits Times Industrial index finished a net 4.75 ahead at 1,413.11 in turnover of S$85.7m.

SEOUL gained on buying of manufacturing and financial stocks. The composite index added 13.18 at 608.06 in turnover of Won449.36bn. Daewoo moved forward Won600 to Won11,400.

TAIWAN was buoyed in late trading. The weighted index appreciated 44.88 to 4,486.45 in turnover of T$14.48bn.

MANILA closed higher as sentiment improved ahead of next month's presidential elections. The seven candidates have signed a manifesto committing themselves to peaceful elections and an orderly transfer of power.

The composite index rose 16.19 to 1,190.87 in combined turnover of 151.76m pesos. The market was led by PLDT, up 20 pesos at 905 pesos.

KUALA LUMPUR fell following disappointing February trade figures which were released on Saturday. The composite index declined 2.69 to 581.02 in turnover of M$59.5m.

BANGKOK was lower as opposition groups called for a protest rally against the government. The SET index weakened 20.29 to 774.52 in turnover of Bt3.74bn. Declines led advances by 209 to 26.

Bangkok Bank lost Bt16 to Bt684 and Thai Farmers Bank was Bt10 down at Bt484.

AUSTRALIA lost ground on profit-taking and caution ahead of tomorrow's release of the CPI figures for March.

The All Ordinaries index slipped 6.7 to 1,602.9 in turnover of A$146.2m.

BHP was 16 cents down at A$13.54. BTR shed 5 cents to A$2.62 and Pacific Dunlop was 7 cents cheaper at A$5.31.

Western Mining declined 6 cents to A$5.02 after reporting on Friday that production at its operation in Western Australia had been affected by industrial action.

NEW ZEALAND was easier. The NZSE-40 index shed 1.32 to 1,453.97 in turnover of NZ$18m.

# Chinese promises lift HK to record high

**MARKETS IN PERSPECTIVE**

| | % change in local currency † | | | | % change sterling † | % change in US $ † |
|---|---|---|---|---|---|---|
| | 1 Week | 4 Weeks | 1 Year | Start of 1992 | Start of 1992 | Start of 1992 |
| Austria | -0.26 | -3.10 | -21.00 | +9.92 | +6.81 | +1.16 |
| Belgium | +0.69 | +1.44 | -3.96 | +4.83 | +1.58 | -3.79 |
| Denmark | -0.31 | +1.25 | -4.00 | -5.46 | -7.78 | -12.66 |
| Finland | +2.10 | -1.33 | -24.32 | +7.55 | +4.79 | -0.77 |
| France | +0.33 | +2.89 | +11.81 | +12.52 | +10.39 | +4.55 |
| Germany | -0.15 | +1.75 | +4.33 | +10.73 | +7.46 | +1.77 |
| Ireland | +0.31 | +1.87 | -2.96 | +3.81 | +1.42 | -3.95 |
| Italy | +0.30 | +3.10 | -11.81 | +2.77 | +0.35 | -4.96 |
| Netherlands | +0.09 | +3.70 | +5.87 | +10.04 | +6.88 | +1.22 |
| Norway | +1.46 | +1.07 | -11.17 | +4.43 | +1.81 | -3.57 |
| Spain | -0.96 | -2.98 | -7.95 | +2.01 | +0.38 | -4.93 |
| Sweden | -0.81 | -2.69 | -0.70 | +9.50 | +7.34 | +1.67 |
| Switzerland | +0.33 | +2.43 | +11.49 | +11.65 | +4.22 | -1.30 |
| UK | +0.54 | +8.57 | +6.12 | +7.25 | +7.25 | +1.58 |
| EUROPE | +0.27 | +4.61 | +4.15 | +8.14 | +6.31 | +0.68 |
| Australia | +1.56 | +2.58 | +5.18 | -2.85 | +1.73 | -3.65 |
| Hong Kong | +4.50 | +6.03 | +48.17 | +24.66 | +32.32 | +25.32 |
| Japan | -0.22 | -7.77 | -32.27 | -23.51 | -24.99 | -28.96 |
| Malaysia | +0.77 | -3.86 | -7.52 | +2.85 | +16.89 | +10.70 |
| New Zealand | +3.50 | +3.01 | -2.41 | -5.20 | -0.94 | -6.19 |
| Singapore | +0.53 | -0.24 | -5.30 | -4.90 | -1.90 | -7.08 |
| Canada | -2.11 | -1.59 | -5.66 | -4.28 | - | -6.58 |
| USA | -1.60 | +1.07 | +7.40 | -1.91 | +3.57 | -1.91 |
| Mexico | -0.60 | -2.99 | +98.96 | +24.58 | +29.92 | +23.04 |
| South Africa | +0.76 | -5.23 | +12.87 | -2.32 | -4.08 | -9.16 |
| WORLD INDEX | -0.58 | -0.42 | -6.47 | -5.68 | -4.26 | -9.33 |

† Based on April 24th 1992. Copyright, The Financial Times Limited, Goldman, Sachs & Co. and County NatWest Securities

By Antonia Sharpe

Hong Kong featured firmly last week, as a downward correction on Wall Street after its record-breaking run and a stabilisation in the Nikkei average around the 17,000 level caused a 0.6 per cent drop in the FT-Actuaries World index in local currency terms.

Strong international buying lifted Hong Kong by 4.5 per cent to an all-time high, following a positive statement from Mr Li Peng, the Chinese prime minister, that economic reforms should be speeded up in order to boost economic growth. HK Telecom, the market's largest stock and accounting for 12.5 per cent of the total capitalisation, climbed 85 cents to HK$9.40 on the week.

The market was also boosted by publication at the end of the previous week of Hang Seng Bank's inner reserves, which led to a rerating of the banking sector. Pleasing results from Wharf Holdings was a further bull point. By contrast, politics took a back seat, and the appointment of Mr Chris Patten as the colony's new governor was largely ignored.

Mr David Bates of Asia Equity in London says that while there is some short-term froth on the market, it is still cheap on a longer term basis, especially if there is further evidence of a turnround in the US economy.

The second-best performer on the week was also in the Pacific region, as a survey showing an increase in business confidence boosted New Zealand by 3.5 per cent.

There were no serious casualties last week, though Canada fell 2.1 per cent in local currency terms. The Toronto stock market has been depressed by Olympia & York's financing troubles and the decline in gold and oil prices. The 1.6 per cent drop in US equities also weighed on their Canadian counterparts.

Political uncertainty had little effect in Europe: Italy rose 0.3 per cent in spite of having no government, while troubles in Mr Helmut Kohl's centre-right coalition inflicted a 0.2 per cent fall on German shares.

**FT-ACTUARIES WORLD INDICES**

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS | MONDAY APRIL 27 1992 | | | | | | | | FRIDAY APRIL 24 1992 | | | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of lines of stock | US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | 1992 High | 1992 Low | Year ago (approx) |
| Australia (69) | 144.94 | -0.3 | 120.75 | 121.94 | 124.41 | 127.54 | -0.6 | 4.33 | 145.34 | 121.60 | 123.61 | 124.72 | 128.25 | 153.68 | 140.94 | 147.30 |
| Austria (19) | 165.73 | -1.6 | 138.08 | 139.44 | 142.26 | 142.27 | -1.4 | 2.04 | 168.46 | 140.95 | 143.28 | 144.56 | 144.23 | 186.70 | 162.62 | 196.71 |
| Belgium (48) | 139.35 | +0.4 | 116.10 | 117.24 | 119.61 | 116.84 | +0.2 | 5.20 | 138.87 | 116.19 | 118.10 | 119.16 | 116.61 | 145.19 | 135.87 | 134.56 |
| Canada (115) | 125.60 | -1.4 | 104.65 | 105.67 | 107.80 | 108.64 | -0.6 | 3.38 | 127.33 | 106.53 | 108.29 | 109.25 | 109.26 | 142.12 | 125.60 | 137.77 |
| Denmark (35) | 232.97 | -0.2 | 194.10 | 196.01 | 199.97 | 202.23 | -0.3 | 1.83 | 233.32 | 195.21 | 198.45 | 200.21 | 202.94 | 273.94 | 226.81 | 226.40 |
| Finland (15) | 77.67 | +0.3 | 64.71 | 65.35 | 66.67 | 73.18 | +0.5 | 2.04 | 77.42 | 64.78 | 65.85 | 66.44 | 72.82 | 88.80 | 73.64 | 110.98 |
| France (106) | 158.23 | +0.6 | 131.83 | 133.11 | 135.80 | 138.18 | +0.4 | 3.40 | 157.29 | 131.60 | 133.77 | 134.96 | 137.61 | 159.16 | 148.06 | 132.36 |
| Germany (65) | 118.92 | -0.4 | 99.08 | 100.07 | 102.07 | 102.07 | -0.4 | 2.25 | 119.41 | 99.91 | 101.57 | 102.46 | 102.46 | 122.84 | 114.67 | 106.63 |
| Hong Kong (55) | 222.78 | +0.8 | 185.61 | 187.43 | 191.23 | 221.32 | +0.8 | 3.67 | 221.02 | 184.92 | 187.98 | 189.67 | 219.57 | 222.78 | 176.36 | 149.51 |
| Ireland (16) | 162.60 | +0.9 | 135.47 | 136.80 | 139.56 | 141.73 | +0.9 | 3.73 | 161.18 | 134.85 | 137.09 | 138.31 | 140.46 | 173.71 | 151.78 | 151.30 |
| Italy (78) | 71.92 | +0.4 | 59.92 | 60.51 | 61.73 | 66.63 | +0.3 | 3.45 | 71.65 | 59.95 | 60.94 | 61.48 | 66.48 | 80.86 | 68.92 | 74.91 |
| Japan (473) | 97.37 | +0.9 | 81.13 | 81.92 | 83.59 | 81.92 | -0.2 | 1.04 | 96.49 | 80.73 | 82.06 | 82.80 | 82.06 | 140.95 | 88.70 | 138.40 |
| Malaysia (68) | 235.17 | -0.8 | 195.93 | 197.85 | 201.85 | 230.51 | -0.1 | 2.80 | 237.10 | 198.38 | 201.65 | 203.45 | 230.84 | 250.18 | 212.49 | 233.23 |
| Mexico (18) | 1705.72 | -0.3 | 1421.12 | 1435.10 | 1464.11 | 5733.79 | -0.5 | 1.01 | 1711.71 | 1432.15 | 1455.83 | 1468.80 | 5762.33 | 1789.77 | 1376.91 | 901.54 |
| Netherland (25) | 154.46 | -0.1 | 128.69 | 129.95 | 132.58 | 130.91 | -0.1 | 4.27 | 154.54 | 129.30 | 131.44 | 132.61 | 131.05 | 156.48 | 147.88 | 136.82 |
| New Zealand (14) | 43.89 | -0.4 | 36.57 | 36.93 | 37.68 | 43.56 | -0.5 | 6.33 | 44.07 | 36.88 | 37.49 | 37.82 | 43.77 | 48.52 | 42.01 | 49.79 |
| Norway (23) | 173.47 | +0.6 | 144.53 | 145.95 | 148.90 | 151.81 | +0.4 | 1.58 | 172.40 | 144.24 | 146.63 | 147.94 | 151.18 | 192.95 | 161.26 | 184.77 |
| Singapore (38) | 205.33 | +0.6 | 171.07 | 172.76 | 176.25 | 156.41 | +0.3 | 2.08 | 204.12 | 170.78 | 173.60 | 175.15 | 155.96 | 228.43 | 192.76 | 202.61 |
| South Africa (61) | 222.69 | -1.5 | 185.54 | 187.36 | 191.14 | 169.60 | +0.4 | 2.99 | 226.11 | 189.18 | 192.30 | 194.02 | 168.98 | 263.60 | 203.16 | 204.81 |
| Spain (50) | 148.64 | +0.0 | 123.84 | 125.06 | 127.58 | 116.83 | +0.0 | 5.18 | 148.70 | 124.41 | 126.46 | 127.60 | 116.88 | 160.47 | 146.86 | 151.25 |
| Sweden (25) | 185.02 | +0.5 | 154.15 | 155.67 | 158.81 | 163.17 | +0.3 | 2.77 | 184.16 | 154.08 | 156.63 | 158.03 | 162.75 | 190.37 | 173.09 | 174.10 |
| Switzerland (60) | 99.27 | +0.2 | 82.70 | 83.52 | 85.22 | 94.13 | +0.0 | 2.27 | 99.07 | 82.89 | 84.27 | 85.02 | 94.13 | 104.22 | 95.88 | 91.68 |
| United Kingdom (228) | 190.06 | +1.0 | 158.35 | 159.89 | 163.12 | 158.35 | +0.5 | 4.69 | 188.25 | 157.50 | 160.09 | 161.52 | 157.50 | 190.06 | 165.85 | 158.29 |
| USA (522) | 166.46 | -0.1 | 138.69 | 140.06 | 142.89 | 166.46 | -0.1 | 2.98 | 166.63 | 139.42 | 141.73 | 142.99 | 166.63 | 171.66 | 160.92 | 151.52 |
| Europe (791) | 149.41 | +0.5 | 124.48 | 125.70 | 128.25 | 127.32 | +0.2 | 3.86 | 148.70 | 124.42 | 126.47 | 127.51 | 127.02 | 150.58 | 139.31 | 135.50 |
| Nordic (98) | 173.55 | +0.2 | 144.59 | 146.01 | 148.96 | 146.55 | +0.0 | 2.22 | 173.18 | 144.90 | 147.30 | 148.61 | 146.53 | 188.52 | 169.66 | 170.22 |
| Pacific Basin (717) | 103.26 | +0.6 | 86.03 | 86.88 | 88.64 | 87.43 | -0.1 | 1.44 | 102.44 | 85.71 | 87.13 | 87.90 | 87.55 | 141.97 | 94.40 | 138.62 |
| Euro-Pacific (1508) | 121.92 | +0.6 | 101.57 | 102.57 | 104.64 | 103.88 | +0.1 | 2.62 | 121.14 | 101.35 | 103.02 | 103.94 | 103.83 | 145.21 | 113.80 | 137.80 |
| North America (637) | 163.90 | -0.2 | 136.55 | 137.91 | 140.71 | 162.53 | -0.1 | 3.00 | 164.16 | 137.35 | 139.64 | 140.89 | 162.73 | 169.89 | 158.70 | 150.59 |
| Europe Ex UK (563) | 125.27 | +0.1 | 104.37 | 105.42 | 107.55 | 109.42 | +0.0 | 3.22 | 125.14 | 104.70 | 106.46 | 107.41 | 109.40 | 129.79 | 121.81 | 115.81 |
| Pacific Ex. Japan (244) | 161.27 | +0.1 | 134.36 | 135.71 | 138.44 | 143.88 | +0.1 | 3.79 | 161.04 | 134.74 | 136.99 | 138.20 | 143.75 | 161.27 | 149.00 | 142.74 |
| World Ex. US (1702) | 124.20 | +0.5 | 103.47 | 104.50 | 106.61 | 106.07 | +0.0 | 2.64 | 123.56 | 103.38 | 105.09 | 106.03 | 106.04 | 146.91 | 116.45 | 138.90 |
| World Ex. UK (1996) | 132.56 | +0.2 | 110.45 | 111.54 | 113.80 | 121.29 | -0.1 | 2.52 | 132.34 | 110.72 | 112.56 | 113.57 | 121.41 | 150.58 | 127.21 | 139.58 |
| World Ex. So. Af. (2163) | 136.97 | +0.3 | 114.12 | 115.25 | 117.58 | 124.34 | +0.0 | 2.77 | 136.56 | 114.27 | 116.17 | 117.21 | 124.37 | 153.05 | 130.04 | 141.73 |
| World Ex. Japan (1751) | 159.95 | +0.1 | 133.26 | 134.58 | 137.31 | 149.35 | +0.0 | 3.33 | 159.86 | 133.75 | 135.97 | 137.19 | 149.32 | 161.90 | 153.20 | 145.45 |
| The World Index (2224) | 137.52 | +0.3 | 114.57 | 115.70 | 118.05 | 124.74 | +0.0 | 2.78 | 137.15 | 114.75 | 116.66 | 117.70 | 124.77 | 153.70 | 130.66 | 142.11 |



*Constituent change with effect 28/4/92: Deletion: Leu Holdings (Reg. 500) (Switzerland) Zurich market closed April 27.*

FINANCIAL TIMES SURVEY

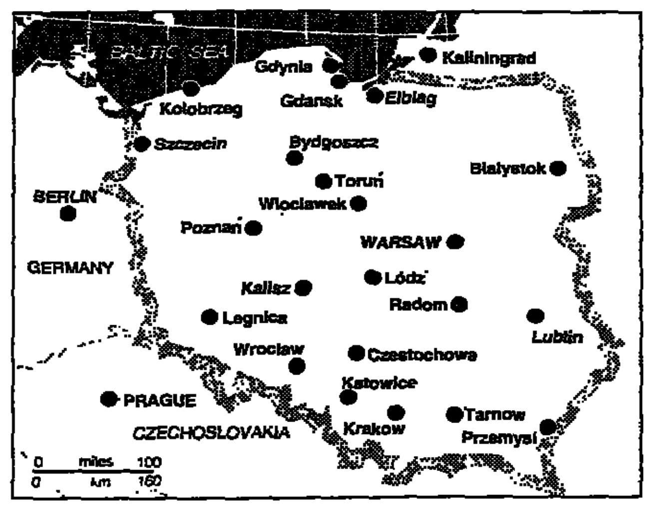
# POLAND

Tuesday April 28 1992

Poland's ambitious drive to become a prosperous, capitalist democracy has run into political problems, writes **Anthony Robinson**. But the country remains basically stable, strategically secure and strongly pro-European. In spite of its economic difficulties, it boasts a dynamic entrepreneurial culture and a lively civil society which is determined to succeed

Picture: Anthony Robinson

**Poland's long history of grandeur, courage in defeat and eventual re-birth is recorded at the tomb of the unknown warrior on Warsaw's Victory Square. The country has regained its sovereign independence and the last Russian soldiers are due to leave shortly. Control over the army is at the centre of a power struggle between President Lech Walesa and the centre-right coalition government led by Mr Jan Olszewski. But few Poles want a replay of the inter-war period when *Marshal Joszef Pilsudski staged a military coup against a weak democracy***




## IN THIS SURVEY



*Editorial production: Roy Terry*

# Reforms hit turbulence

THE UPHILL nature of Poland's struggle to turn itself into a moderately prosperous, tolerably democratic and stable member of the European Community by the end of the decade has been underlined over the past six months by economic retrenchment and political manoeuvering.

The goal remains clear. But all winter long Poles lived with a dispiriting government crisis as inexperienced politicians, elected at last October's first *free elections since the Second* World War, struggled to form a *government* and draw up a budget consonant with the limited resources of the post-communist state.

As feared, the elections, which were conducted on a complex proportional representation system, returned a plethora of parties. In marked contrast to the passionate interest with which Poles participated in the events which led to the end of communist rule in summer 1989, only 42 per cent of the electorate bothered to turn out. The outcome was a confusing and fragmented parliament with 29 parties *represented* in the Sejm, the 460-seat lower house of parliament.

Without a clear mandate from the electorate for any party or leader it was two months before Mr Jan Olszewski, a former Solidarity lawyer representing a right-wing Catholic party, managed to put together a coalition capable of gathering enough support in parliament. He then spent much of his time trying to put together a broad coali*tion capable of providing a* stronger political base for the painful *economic sacrifices.*

Such hopes were dashed last week when Mr Tadeusz Mazowiecki, the first post-communist prime minister, and leader of the Democratic Union, the largest single party, said the three opposition parties he represented in the talks would not join the government. This left the government unsure of its ability to push through parliament the cuts in social welfare spending deemed essential to keep the budget on target and restrain inflation.

Worse, the blow to Mr *Olszewski's government* was *accompanied* by a *fierce press* attack on President Lech Walesa which underlined the depth of the political crisis facing the country. The attack in Gazeta Wyborcza, whose editor Mr Adam Michnik is a former Solidarity stalwart, accused the president of surrounding himself with advisers linked to the Soviet KGB and being unable to rise to the level of his responsibilities.

The tension between President Walesa and most of his *former Solidarity allies, includ*ing the prime minister whose *appointment* he *opposed,* underlines not only the fragility of Poland's post-communist institutions but also the ambiguous relationship between the newly-elected parliament and the president who was elected a year earlier.

The unresolved constitutional and political issues, partly inherited from the communist period and partly a product of Mr Walesa's own complex personality and leadership ambitions, have diverted attention from economic and institutional problems and now threaten to aggravate them.

The economy is already "at a crossroads", according to a recent World Bank report. This underlined the deeper rooted structural weaknesses of the public administration, banking, taxation and other structures as well as drawing attention to more immediate budgetary pressures. It warned that hyper-inflation could return without cuts in government *spending and faster* progress towards the privatisation *or closure of inefficient, loss*-making state enterprises.

*Privatising the* still largely state- or municipally-owned industrial sector is proving much more difficult than expected. Cutting government spending and closing bankrupt state companies has also been affected by the political atmosphere and doubts over the government's ability to stick to tough economic targets.

The result was a fast-rising budget deficit last year which faced the new government with an unavoidable but painful need to cut spending, raise taxes and revert to the tough monetarist policies which most *of those who form* the newgovernment had critised during the election campaign.

The decision to bite the bullet came in mid-March after Mr Andrzej Olechowski, one of Poland's most experienced trade and central bank officials, became finance minister. After a quick visit to Washington for informal talks with the IMF and the World Bank he came back to Warsaw to secure government *approval for* a revamped budget. This estab*lished a limit of 65,500bn zlo*tys, or 5 per cent of gross *domestic product, to the per*missible budget deficit.

Mr Olechowski is now a key figure in the increasingly shaky government. In effect he has made the deficit limit the principal anchor for economic and financial policy. Domestic consumption will be cut back in favour of an export-led recovery by allowing the zloty to devalue sufficiently to boost export competitiveness and restrain imports.

Mr Olechowski's appointment reassured the international institutions whose support is *essential* for Poland's reform programme. The World Bank, along with other institutions such as its affiliate the International Finance Corporation, has earmarked well over $2bn for Polish projects. But *the bank* and *the IMF* need reassurance that government *spending is under control* before the IMF agrees to *resume payments from* its three-year, $1.7bn extended loan facility.

A green light from the IMF, in turn, should open the way for negotiations later this year with the London Club of commercial bank creditors. Here, Poland is seeking a reduction of the $11bn bank debt similar to the 50 per cent reduction in the $33bn official debt already agreed last year with the Paris Club.

The close attention to Polish *events being paid by western* institutions reflects the aware*ness of Poland's strategic* importance as the largest of the former Soviet satellites, and the post-communist country which embarked most enthusiastically on market-orientated reform in 1990. Poland's success or failure will have a profound effect on the stability of a region racked by political uncertainty, ethnic strife and economic recession.

The omens are better than the present crisis would allow. In spite of the current malaise this ethnically homogeneous country of 38m people remains *fundamentally stable. Most* Poles are enjoying their regained liberties and recognise that they are infinitely better off than their neighbours in the former Soviet Union. They are also vividly aware of *their good fortune* in escaping the ethnic tensions *which have provoked such* bloodshed in Yugoslavia and which threaten the stability of other countries in the region.

Ideally Poles would like to be fully-fledged members of Nato and the European Community. But realistically they acknowledge that the collapse of Soviet power and this year's association agreement with the EC have given them greater security and independence than they have enjoyed for decades, if not centuries.

Living conditions *have also* improved substantially for *many, in spite of the seemingly* catastrophic collapse in state sector output over the past two years. Decades of empty shops are just a bad memory while millions have found new jobs in the most dynamic entrepreneurial culture of post-communist Europe.

All this, of course, has been watched enviously by Russian and other reformers. The essence of a country poised between two worlds is well summed up in a joke doing the Warsaw rounds. It tells of two travellers, one from Paris and one from *Moscow*, who alight by mistake at Warsaw. The *traveller from Paris takes one* look at the Stalinesque skyscraper and the crumbling buildings and is convinced he has arrived at his final destination. The traveller from *Moscow* – noting the new western cars, the cheerful new restaurants and *fully* stocked shops – is convinced he has *arrived in Paris.*

**Anthony Robinson** examines the fragile economic situation

# Little room to manoeuvre

AFTER months of increasingly *irrelevant debate in Poland* about the virtues of more or less expansionary monetary and economic policies the World Bank issued a report on the Polish economy earlier this year which made brutally clear *how limited the real room* for manoeuvre was and is.

"The fiscal situation has worsened to the point where hyperinflation is an immediate danger. Unemployment has reached a level that cannot be tolerated for long. Investment in infrastructure and human resource development has shrunk to levels that, if maintained, will undermine the prospects for sustained growth," the report says.

In blunt words addressed to *politicians even more than* economists it added: "None of the long-term supply side reforms stands any chance of *success if Poland slides back* into hyperinflation, or if its economy continues to decline as dramatically as it has in the last two years."

At the heart of the problem lies the nature of the state-dominated economy inherited from 45 years of Soviet-style central planning. In spite of the explosion of private enterprise, concentrated mainly in retailing, trade and construction where only small amounts of capital are required, the *bulk of economic activity* is still carried out by state or municipally-owned enterprises.

Privatisation, in a country where private savings were virtually eliminated by hyperinflation and the 1990 economic stabilisation programme, is proving more difficult than anticipated. Allowing bankrupt state enterprises to close is also difficult when entire communities and their infrastructure often depend on one or two large plants where workers' councils exert strong influence on management unversed in the ways of the market.

But the continuing existence of large numbers of bankrupt state enterprises exerts large negative pressures on the economy, adding to inflation and absorbing productive resources which could be better used elsewhere. Thousands of state-owned *enterprises have* survived by not paying their bills and building up inter-enterprise credits or debts to a banking system overburdened with non-performing and non-

Jerzy Eysymontt: critic of the former finance minister

collectable loans and in need of *reform and re-financing.*

The overall picture is not quite as bleak as suggested by the nearly 40 per cent drop in *industrial output and 20 per* cent decline in official GDP over the past two years. The official statistics fail to take fully into account dynamic growth in the private sector and much of the output no longer produced by the state sector was of poor quality or unsellable. Furthermore, some state-owned enterprises have managed to increase their exports to the west and cut costs by shedding labour and selling assets. Even so the *overall crisis of the state sector* is the crucial factor behind a fiscal crisis which underlines the narrow margin of manoeuvre for policy-makers.

This is because the 8,000 state sector enterprises traditionally provided around 80 per cent of government revenue. The collapse in their profitability caused government income to plummet from 44.5 per cent of GDP to 33.6 per cent last year. At the same time, unemployment rose from virtually *zero to more than 2.1m* people, or 11 per cent of the workforce. Social security costs were further bloated by highly advantageous early retirement and disability pension regulations. The scissors effect of declining revenue and rising spending risked pushing the budget deficit up to 11 per cent of GDP this year if unchecked.

*It was with this prospect in* mind that the international institutions issued their warnings about the dangers of hyperinflation – as well as their strictures on the need for a better taxation system to *bring the private sector more* securely into the tax net. The government is already shifting the balance from income to consumption taxes: it plans to introduce a Value Added Tax at the beginning of next year.

The signal that fiscal rectitude had taken priority over selective stimulation of state industry, as originally advocated by the prime minister, Mr Jan Olszewski, and his economic policy chief, Mr Jerzy Eysymontt, came in March with the appointment as finance minister of Mr Andrzej Olechowski.

After visiting Washington, Mr Olechowski pushed through cabinet a commitment to social security and other spending *cuts designed* to keep the budget deficit to a limit of 65,500bn zlotys or 5 per cent of GDP. Subsidies to enterprises will be *cut in real terms by 46 per cent* to 1.7 per cent of GDP and farmers, another vociferous group well represented in government, will also see their aid further cut in real terms.

It will not be easy to keep to the new policy anchor, not least because the projected tight rein on government spending will see a continuation of the recession and a remorseless climb in unemployment. Morgan Guaranty recently forecast a further 6 *per cent decline in GDP this* year accompanied by a rise in unemployment to 17 per cent of the workforce against the background of high inflation and a deteriorating current account deficit.

This is hard to swallow for a fragile coalition government which gained power largely through its criticism of the allegedly tough monetary policies associated with Mr Leszek Balcerowicz, finance minister in the first two post-communist governments.

Mr Eysymontt, who was a leading critic of the former finance minister for not paying sufficient attention to the impact of his policies on the state enterprises, still hopes that growth in the construction, trade and service sectors will help to bring the economy out of its tailspin. Ideally he *would like to see 1992* end as a year of zero growth and poised for recovery in 1993. But with a 14 per cent decline in output over the first two months of this year he concedes that reaching this target "will not *be easy" in spite of the boost* to exports hoped for by allowing the exchange rate to fall more closely in line with domestic inflation this year.

Real incomes actually rose last year in spite of the drop in GDP, largely because the zloty did not depreciate less than last year's 60 per cent inflation. The currency's appreciation against the dollar resulted in a flood of western consumer imports, including more than 300,000 new or used cars. This put further pressure on domestic producers and reinforced that contrast between the glittering shops and depressed factories which is proving so politically unsettling.

Mr Olechowski, who appears to have established a good working relationship with Mr Eysymontt, has no illusions about the difficult economic *times ahead and fears that* further cuts in government spending may be required. "I can't exclude that there'll be strikes, demands for *higher* wages, capital flight. It could become a real problem. Then we might have to cut back further."

Poland is already suffering a capital flight of several tens of millions of dollars a month, he added, and will need substantial foreign funding to finance the projected 5 per cent budget deficit and prevent the econ*omy falling further.* "We expect to finance about one third of the deficit from the central bank and about a sixth from *capital markets but* we'll have to get capital from abroad or we'll crowd out the private sector," he warns.

Until now, in spite of last year's Paris Club agreement to write down over 50 per cent of the $33bn official debt, loan commitments of more than $2bn by the World Bank and associate membership of the European Community, post-communist Poland has not been able to attract private equity investment consonant with its strategic importance.

The danger, underlined by the World Bank, is that without greater efficiency in the public sector and higher investment in the private sector the recession will deepen to create *politically* destabilising unemployment and levels of debt in the public sector which would make enterprises impossible to privatise. The next few months will be critical.

**Christopher Bobinski** and **Anthony Robinson** on the banking system

# Reconstruction is a priority

CLEARING the Polish banks of the bad loans andnon-performing debts inherited from the old communist system and building up a modern banking system is high on the *list of Polish* priorities.

Somewhere between 20 and 40 per cent of the assets of the commercial banking system are believed to be non-performing and confidence will remain low *until balance sheets are* reconstructed and banks re-capitalised.

The first signs of change came in 1988 when the decision was taken to hive off nine "commercial" banks from the Narodowy Bank Polski (NBP), the central bank, and encourage them to compete for corporate and individual custom.

That decision left the NBP, now headed by Ms Hanna Gronkiewicz Waltz, to concentrate on strengthening its central *banking role. Ms Waltz, an aca*demic specialising in banking law, was chosen by President Lech Walesa, and eventually approved by *parliament* in March after an initial rejection, largely because he thought she was the right person to put an end to a series of banking scandals, such as last year's ART-B affair.

This involved the raising of large loans on the basis of fraudulent credit guarantees. The affair, which revealed *grave weaknesses in the bank* supervisory system, led to the removal and subsequent arrest on charges of negligence of the then *central bank chairman*, Mr Grzegorz Wojtowicz.

The NBP is now entrusted with the usual central bank functions. It licenses new banks, supervises the system and maintains monetary and credit control through its refinancing facility and through minimum reserve requirements and credit ceilings.

*The most difficult* task *is* building up the commercial banking system around the core formed by the nine commercial banks which formerly acted as the provincial branches of the central bank. Two of them, Bank Slaski in Katowice and the Wielkopolski Bank Kredytowy in Poznan, are to be privatised this year. The World Bank *is* concentrating the bulk of the $200m set aside for developing Poland's financial institutions on improving the efficiency and skills of these core banks.

An important role is also played by the *state-owned* specialist banks, especially Bank Handlowy which still handles the greatest share of Poland's trade financing, and the PKO SA which has in the past been the repository of Poles' private *hard currency savings.*

This sector also contains the PKO BP bank which traditionally attracted the bulk of domestic savings but is burdened with the legacy of once heavily subsidised housing *loans which now threaten to* engulf it.

The Food Economy Bank (BGZ), which traditionally channelled loans to farmers under the simple communist banking system, is also now listing under the burden of farm debt which continues to rise while real incomes remain at 1989 levels. The BGZ also once co-ordinated hundreds of small local co-operative banks but some of these are now striking out on their own.

The *youngest* of the state-owned specialist banks – Bank Rozwoju Exportu (BRE), set up

**The first changes came in 1988 when nine 'commercial' banks were hived off from the Narodowy Bank Polski**

in 1986 to finance export-related projects – is due to be privatised *this year.*

The inherited problems of the state sector demand a huge investment in training and re-equipment. *Training is* being provided under a "twinning" arrangement initiated by the International Finance Corporation and financed by the World Bank loan. Banco San Paolo from Turin, for example, is twinned with Powszechny Bank Kredytowy (PBK) in Warsaw and banks from the UK, Ireland and most other EC countries are involved in *similar* links.

Re-equipment and bank modernisation is rapidly becoming big business for western computer and equipment makers such as ICL and for telecommunications specialists. The risks involved in running a banking system without speedy telecommunications to help clearing and other transactions were dramatically underlined *by* the ART-B scandal where billions of zlotys were simultaneously deposited in different banks around the country, taking advantage of slow communications.

To bring Poland up to international standards Telbank, a

Picture: Anthony Robinson

Hanna Waltz: chosen by President Walesa to head the NBP

company set up by the NBP, the Polish Banking Union and several individual banks, will link 17 cities and handle inter-bank transactions. It will operate alongside NBP's own wire to expedite settlements in a new clearing system.

The organisation of the new *commercial banking system* around the nine core banks inevitably links the banking system to the fate of the state-owned industries. The divisions are geographic which means that Katowice-based Bank Slaski, for example, has most of Poland's distressed steel and coal industry on its books while the Krakow-based Bank Przemyslowo Handlowy is saddled with the cash-strapped arms factories concentrated in the south-east.

*In 1990,* when *Poland* embarked on its shock anti-inflation programme with high real interest rates, it was those companies which had been investing in modern equipment who were suddenly caught and hit hardest with a *soaring debt* service bill and little prospect of covering it.

It was a process the banks found themselves helpless to prevent. They did not have the expertise to advise the companies or the political clout to cut credit to ailing enterprises and risk accelerating unemployment. On the contrary, at times they *found* themselves under pressure from sections of Poland's new Solidarity government to keep their debtors afloat.

Poland's pressing budget problems have also helped to obscure the situation. Banks which sought to make reserves against bad debts were discouraged from doing so by the tax authorities as this would have lowered taxable profits. Instead unpaid interest was capitalised and presented in balance sheets as "income accruing in future periods". As such it was treated by the taxman as a current profit and taxed accordingly.

The pressing need for tax income also acted as a powerful incentive to keep loss-making *enterprises alive* because allowing them to go under would eliminate them as a source of taxable "paper" profits.

This year the situation is to change. The government, supported by the World Bank, is working on a scheme to restructure bank and inter-company debts and clear corporate balance sheets to allow the chronically indebted enterprises to be identified and closed.

Enterprises will be obliged to *formulate a business plan and* commercial banks, the Treasury, unpaid suppliers and other interested parties will sit around a table and discuss it. If all agree that the enterprise has a future the discussion will move on to discuss the modalities and details of debt reduction, restructuring and, where appropriate, access to fresh loans.

If, on the other hand, the round table concludes that the enterprise is a "basket case" the decision should be taken to close it. Appeals against the decision, it is suggested, would *be decided by a separate* tribunal.

Loans of up to $300m from the World Bank would help finance the scheme which looks good on paper but will require steady nerves on the part of the government to implement. The first blow of the executioner's axe has yet to fall on Poland's hopeless debtors. The credibil*ity of bank reform awaits that* event.

There is a crying need for political leadership, writes **Andrew Gowers**

# People are fed up with the empty promises

IF THERE is one word which sums up the political mood of Poland today, it is disenchantment. Poles of all social strata grumble about the depressed economy and the squeeze on their living standards. Most of all, they are fed up with the empty promises and petty manoeuvrings of their politicians, who seem incapable of charting a coherent or candid path through the present economic pain. There is a crying need for leadership to deal with the manifold political, industrial and financial challenges facing the country – but no-one capable of providing it.

The fruits of this disenchantment were plainly visible in last October's parliamentary elections and their aftermath. Only 42.5 per cent of Poles even bothered to vote, and the parliament that emerged, under Poland's complex form of proportional representation, was impossibly fragmented between a multiplicity of small parties; even the largest party, the centre-left Democratic Union led by Mr Tadeusz Mazowiecki, the former Solidarity prime minister, gained little more than 12 per cent of the vote, and the former communists of the Democratic Left Alliance were uncomfortably close behind.

Not surprisingly, it took several weeks of discussions in smoke-filled rooms for a government to emerge: a ragbag coalition of Catholic and peasant parties, led by the one-time Solidarity lawyer, Mr Jan Olszewski, who since he took office in December has found himself constantly having to patch together slender parliamentary majorities for the minutest of political decisions.

It is scarcely a government of conviction; if it has a sense of common purpose, it stems mainly from the almost unbearably tight constraints on its freedom of manoeuvre imposed by the need to frame economic policies acceptable to the international financial institutions. Even that much was in doubt during the coalition's turbulent early weeks, when it lost its finance minister as a result of disagreements over budgetary policy.

The message has not been lost on ordinary voters, as research by the government's own opinion polling centre shows. Asked recently whether the government had a chance of leading the country out of its present predicament, 50 per cent of those polled replied "definitely not".

> **Not surprisingly, it took several weeks of discussions in smoke-filled rooms for a government to emerge**

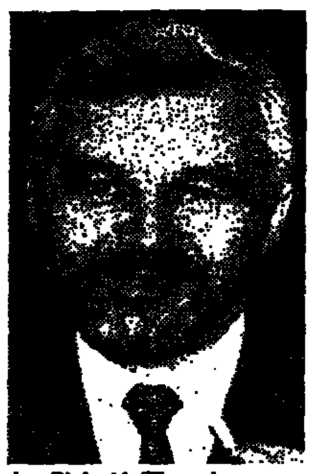
In the words of Mr Jan Krzysztof Bielecki, the leader of the Liberal Democratic Congress who preceded Mr Olszewski as prime minister: "The mood in Poland is that everything is getting worse because there is no very clear vision of the future. Also there is no feeling among the people that the executive is determined to push ahead with decisions. You have to show people that the decision-making process is working."

Poland's essential problem is that it lacks a real centre of power following the ousting of the communists and the acrimonious splintering of the anti-communist Solidarity alliance over the past three years; it lacks someone prepared to take responsibility for the economic transformation whose future is now in the balance, or to explain to the populace the costs and benefits of reform. The scale of the tasks facing legislators is immense: they include passing the austere budget required to meet IMF criteria, agreeing to enabling legislation that will cut back welfare payments, framing electoral reform and a package of constitutional changes, and ratifying Poland's precious association agreement with the European Community.

By the same token, at a time when unemployment is rising rapidly and the collapse or restructuring of state industry will send it higher still, there is great scope for demagogic politicians minded to obstruct change.

And although there is a broad consensus in Poland on the need to embrace reform as a means of gaining EC membership, politicians that have other ideas are by no means silent: the post-communists and the right-wing Confederation for an Independent Poland, which stands ready with its blend of nationalism and populist economics to exploit popular discontent.

Jan Olszewski: constantly patching together majorities



Jan Bielecki: 'There is no clear vision of the future'

Jerzy Urban: 'It's hard to say who's in the government'

"It's hard to say who's in the government and who's in the opposition," says Mr Jerzy Urban, the former spokesman of the Jaruzelski communist party regime who is now a successful and wealthy magazine publisher. "Everyone's in opposition, but we no longer know who they're in opposition to."

His complaint is echoed frequently among the intellectuals and activists whose combined efforts made Solidarity such a potent force in the demise of communism. And many of them think they know whom to blame: the man who led the movement and who is now ensconced in Warsaw's Belweder palace, President Lech Walesa.

Much of what is said about Mr Walesa by the Warsaw intelligentsia may well be unfair. According to the cynical version of events, he deliberately presided over the fragmentation of Solidarity to bolster his own bid for the presidency in 1990; then, when he had attained that goal, he tried to use his position to divide and rule, undermining the government in the run-up to last autumn's parliamentary elections.

What is certainly true is that Mr Walesa has made a particular contribution to the sense of unreality that permeates Polish politics today. For one thing, he has yet to clarify how his role fits in with that of other parts of the body politic. Partly by his own design at the time of the 1989 round-table talks between the communist regime and the opposition, the presidency's powers are not strongly defined. As a result, Mr Walesa has found himself flailing around on the sidelines of politics, acting in effect as a sort of unlicensed opposition to his own government.

"The president has turned out to be so competent that he has managed to pick fights with virtually everyone," says Mr Adam Michnik, the former Solidarity activist who now edits one of Poland's leading dailies, Gazeta Wyborcza, which last week published a scathing six-page attack on the president. "He has fallen victim to his own political strategy – the war at the top, dividing the parties. He won that battle, but that was the moment at which he lost the war."

The problems Mr Walesa can create have been evident in his often unhelpful interventions over economic policy. The president made a series of extravagant promises of "jam tomorrow" on the campaign stump last year as he sought to confront the bizarre populist challenger for the presidency, Mr Stan Tyminski.

Even now he continues to suggest unrealistic ways of producing handouts for ordinary Poles – most recently, a scheme to provide every citizen with interest-free credit to the tune of $10,000 for the purchase of state property or shares in state industries.

"It's true that people have to be given some hope, to be shown some light at the end of the tunnel," sniffs the former prime minister, Mr Mazowiecki. "But it can't be done on the basis of multiplying miraculous solutions that have no substance at all."

In recent weeks, Mr Walesa's search for a role has led him into potentially more dangerous waters: a struggle with the civilian government over control of the 300,000-strong armed forces, in which the defence minister, Mr Jan Parys, accused members of the president's staff of attempting "to overthrow democracy with the aid of the army". It was not clear at the time of writing how this issue would be resolved, but it has thrown the whole power play between Mr Walesa and the government into sharp relief.

The political system and the politicians, then, have conspired to bring about a sort of institutional paralysis. If the necessary decisions are to be taken, something will have to give. One way forward would be to stage another parliamentary election. But Poles are already weary enough of politics, and few would favour another campaign; in any case, there is no guarantee that another poll would produce a very different result.

Some senior politicians, including the prime minister, have been working to come up with their own response to the public mood: Mr Olszewski has been talking to a number of other parties, including Mr Mazowiecki's Democratic Union, for some weeks with a view to forming a "grand coalition" that would agree to push controversial measures, including laws implementing the budget, changes to the welfare system and political reforms, through parliament quickly.

Such a move would be an important step forward, but it would not be assured of success: the danger is that it would simply transfer disagreements in parliament to within the ruling coalition, and that the paralysis would persist. Creation of a grand coalition could also heighten tensions between the Catholic parties already in the government and secular-minded members of the Democratic Union over the role of the Church, a highly sensitive issue in post-communist Poland. Last week, the prospect of such a government seemed to recede as inter-party talks broke down.

The alternative scenario, and one which worries more than a few Polish politicians, is that the president might take matters into his own hands. On numerous occasions after last October's elections Mr Walesa vowed to appoint himself as his own prime minister; at other times he has spoken of trying to rule by decree. Such a shift towards a more or less authoritarian course is a possibility that has not gone away. Says Mr Mazowiecki, one of the wiser voices on the Warsaw political scene: "This would not be a dictatorship, but a kind of half-democracy. I wouldn't like to see Poland being in the vanguard of this sort of development in central and eastern Europe."

DEBT

# Banking on a reduction agreement

IT WILL soon be a whole generation since communist Poland, then led by Mr Edward Gierek, and petrodollar-flush western banks went on a more than $20bn lending and spending spree. Much of the money was spent on industrial modernisation which never generated the export earnings needed to service the resulting debt.

Twenty years later, however, western observers are now looking with the greatest interest at the plants which were built or refurbished in the 1970s. One example is the Pollena detergent plant in Bydgoszcz, bought last year for $20m by Unilever. The plant is now in private hands but the foreign debt will continue to burden Poles into the next century.

Partial relief has come with last year's unprecedented debt reduction agreement which covered 50 per cent of Poland's official hard currency debt owed to 17 governments represented by the Paris Club. Bilateral agreements arising out of that accord are now in their final stages. Talks have been completed with 13 governments and still in train with a further four of which Italy, which is owed $1.64bn, is the largest creditor.

The Paris Club agreement, however, still leaves Poland owing some $30bn to the 17 and awaiting a further 20 per cent reduction in 1994. But this will take place only if Poland retains IMF approval for its economic programmes.

The next task is to wring a debt reduction agreement out of the 500 or so western commercial banks who are owed a further $11.4bn. Of this, $1.8bn arises from interest arrears which have piled up since the autumn of 1989 when Poland ceased to service its commercial debt.

Ideally Warsaw would like a debt reduction from the banks to match their Paris Club agreement which gave a 50 per cent reduction of net present value of the outstanding accumulated debt. The hope is the reduction will be accomplished on the lines of the Brady plan. This could include debt buybacks financed by IMF and World Bank funds as well as from Poland's own reserves, and conversion of debt into medium-term bonds as well as debt forgiveness.

The banks are unhappy about the demand. They have not said no but suggested that Poland should pay $500m towards interest arrears before serious talks can start. A full meeting of the so-called London Club is expected in June once parliament has passed this year's budget and the agreement with the IMF, suspended last year when Poland failed to meet its targets, is back in place.

Mr Andrzej Olechowski, the new finance minister has decided to take personal charge of the negotiations. It will be up to him to decide what to do about the banks' demand for the up-front payment.

Certainly if he decides to make the payment it will have to come from Poland's foreign currency reserves. These stood at $6.5bn at the end of 1991 and are set to grow by $666m this year. This is because this year's budget only allows $900m to be spent on servicing debt while another $600m will come as a loan from the foreign currency reserves.

That should cover Poland's current debt service commitments which are written into the planned balance of payments as $1.16bn in interest and $398m in capital payments. These compare with the $888m in interest payments and $456m in capital which was repaid in 1991.

However, a deal this year with the banks will be a mixed blessing. It should increase much needed credit flows into Poland but will put pressure on the country's official financial outlays in a year when the budget is tighter than ever before.

Politically, as Mr Ryszard Michalski who handles the finance ministry's foreign operations notes, "we are having to explain why we are paying money to the banks when we lack the means for hospitals, schools and pensions".

Ms Dorota Wyszniklewicz, an economist, has meanwhile come up with some grim predictions if things go wrong on the debt front. Her most pessimistic scenario, published in the Gazeta Bankowa recently, assumes that a mere 10 per cent of export earnings a year is spent on debt servicing, that no further reductions can be had from western governments or banks and that GDP in the 1990s would grow by a mere 1 per cent annually.

On this basis she calculates the foreign debt in 2000 would reach $91.4bn or five times that year's export earnings to give a debt service ratio of 107.5 per cent.

At best, if Poland were to get the debt reductions it is asking for and devote 20 per cent of export earnings to debt servicing in the 1990s against a background of 2 or 3 per cent GDP growth, then debt would still be $30.4bn, 85 per cent of annual end-of-century exports but producing a manageable debt service ratio of 23.9 per cent.

**Christopher Bobinski**

# Principal anchor

THE BUDGET deficit has become the principal "anchor" of financial policy, replacing the dollar/zloty exchange rate which played this role during the "heroic" first stage of the Balcerowicz economic stabilisation plan after January 1990.

After informal talks with the IMF in March the government announced that the deficit would be kept to within 65,500bn zlotys or 5 per cent of GDP, compared to 31,000bn zlotys or 3.3 per cent of GDP in 1991. Reducing the budget deficit to 5 per cent of GDP required substantial cuts to pensions, unemployment pay and public sector salaries and assumes no further fall in industrial production. Other budget assumptions include a 3 per cent rise in hard currency exports to $13.5bn and a slightly smaller, 2.5 per cent rise in imports to $13.4bn. It also assumes real money supply growth will not exceed 8 per cent.

On the revenue side the budget assumes a 60.3 per cent increase, although that includes a provision for 10,000bn zlotys from privatisation receipts which could be over-optimistic. Spending is expected to grow by nearly 63 per cent.

The government is hoping to broaden the tax base and modernise the taxation system by introducing VAT and shifting the burden to personal income taxes and consumption taxes. Until now, around 80 per cent of tax revenue has come from state-owned enterprises, many of which are now technically bankrupt.

The zloty, which is now measured against a trade-weighted basket of five currencies, has been steadily depreciating on a crawling peg basis since May 1991.

It is expected to depreciate faster this year in order to compensate for domestic inflation, curb imports and generate the higher export earnings needed to service foreign debt.

**Anthony Robinson**

## Anthony Robinson criss-crosses small-town Poland and finds the spirit of enterprise still very much alive and well

### Profile: ZBIGNIEW SOCHA OF BRODNICA

# Survivor prospers

BEFORE the Balcerowicz plan came into effect in January 1990, Brodnica, a small market town near Bydgoscz founded by the Teutonic knights in the 12th century, boasted 700 small private enterprises and shops. Only 230 still exist.

But those which do have demonstrated their durability under harsh, and often unpredictable, economic and political circumstances.

Zbigniew Socha, the 41-year-old owner-manager of ZSiM engineering company, is one of the survivors. After slowly building up production in a converted glasshouse full of second-hand machines behind his smart front office, he saw his order book for simple metal bending machines melt away in 1990 as customers, mainly state-owned enterprises, revoked their contracts in the face of sky-high interest rates and falling demand.

After months desperately seeking new clients and new products he finally received a European Community loan to build a bakery but was unable to equip it when interest rates, linked to domestic Polish rates, rose to new highs in early 1991.

In the nick of time he found a German joint venture partner and began making illuminated advertising panels, using *cheap Polish labour to assemble* panels from imported aluminium and plastic.

He also found German and Danish partners to market his metal-bending machines throughout the EC and Scandinavia and set up a joint venture in Minsk to produce wood-cutting machinery.

Now his 35-man business is divided 50-50 between panels and simple metal-bending and wood-planing machines with 70 per cent of production for export. "But my German partners know my costs down to the nearest pfennig, and they won't let me raise my prices even though they sell at a 650 per cent mark-up," he complains.

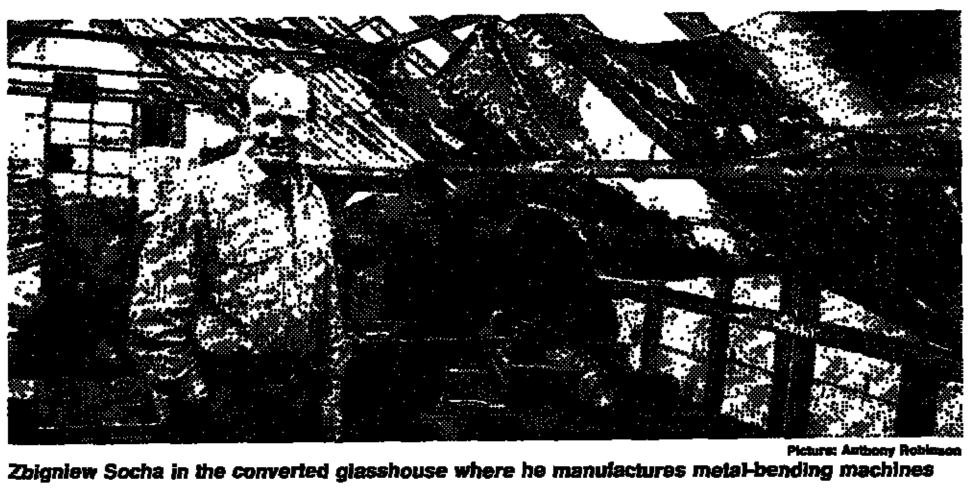
In the long run, he is convinced that economic recovery in the former Soviet republics will provide an important market for Polish companies. But right now he concedes "the quality of the Minsk machines is terrible. We suggested they start with 10 machines and then build up. But they decided to order enough parts from various local factories to make 1,000 machines".

When the parts came, however, nothing fitted and they *could only assemble 20 working* machines. "Now I have nine people there helping to sort out the mess. I don't want to get a bad name for our products. But they kept us alive by sending cheap basic parts for the frame of our machines and that helped us to keep our costs low," Mr Socha said.

In spite of sleepless nights and long hours, Mr Socha is determined to remain an entrepreneur and be his own boss. "I have no ambition to become a Rockefeller. This is not the time for ambitious schemes, but I do want to keep running my own small business."

What he worries about is non-payment or delayed payment *from customers, the difficulty* of raising credit and the unpredictable changes in government economic policy.

"What we need is a decent banking system and modest government that sets clear *rules and enforces the law," he* says. "But it is over four months since the elections and we still don't even know what the government's economic strategy is."



Picture: Anthony Robinson

*Zbigniew Socha in the converted glasshouse where he manufactures metal-bending machines*

**Indicators of private sector development**

| | 1989 | 1990 | 1991[1] |
|---|---|---|---|
| Private sector share of: | | | |
| GDP[2] | 28.4 | 34.7 | 40.0 |
| Employment | | | |
| Including private agriculture | 47.2 | 49.9 | 50.0 |
| Excluding private agriculture | 31.1 | 33.6 | 33.2 |
| External trade | | | |
| Total | | 8.6 | 28.4 |
| Exports | | 4.8 | 14.4 |
| Imports | | 14.4 | 42.2 |
| Investment | 35.3 | 41.3 | |
| *Production* | | | |
| Industry | 16.2 | 17.4 | 19.4 |
| Construction | 25.5 | 31.0 | 43.0 |
| Trade | 59.5 | 63.7 | 75.0 |
| Transport | 6.8 | 9.9 | 12.0 |

1 Projected. 2 1984 constant prices

*Source: Central Statistical Office*

# Men who bucked the system

OVER the past two years much of Poland has become what Harold Wilson, the Labour prime minister during Britain's "swinging sixties", contemp*tuously dismissed as a* "candy floss economy".

In place of the old heavy industry and bureaucratic distribution channels, Polish entrepreneurs have revolutionised the wholesale and *retail system*, formed thousands of private construction, transport, travel and other service companies and stepped up industrial production by more than 25 per cent a year.

Some, like Andrzej Czernecki, a senator for the Beer Lovers' Party who runs *a medical equipment plant* in Warsaw, make internationally competitive high-tech equipment. But most produce the "thousand-and-one little things" from chocolate biscuits to bath plugs which the central planners forgot.

A week spent criss-crossing small-town Poland as well as the big industrial areas showed the spirit of *enterprise alive and well*, but frustrated by the government's slowness in creating a framework for business.

Many are also worried in case unemployment and growing income differences bring a return to the politics of envy, and the stifling of entrepreneurship.

Picture: Anthony Robinson

**Andrzej Czernecki with a blood analysis machine**

### Profile: HENRYK WINKLER OF KATOWICE

# Veteran capitalist

IN THIS country of instant entrepreneurs Henryk Winkler is a veteran. Like his father, who was deprived of his property and sentenced to 18 years' jail in 1957 as a capitalist parasite, he has always been a private businessman. *He started* with a small fish-curing business in 1970. But the past two years open encouragement of free enterprise have given him a free rein to do what he does best – which is to create wealth.

First, he developed his fish-curing business and built it into a wholesale operation which turned over $19m last year. Then, in co-operation with his Hamburg-based brother, he paid $1.5m at an auction for a state-owned bakery 15km outside Katowice, the capital of heavily industrialised Upper Silesia.

Like so many of the plants built with foreign loans during the regime of Mr Edward Gierek in the 1970s, it was used only at a fraction of its potential capacity. Even now, after heavy investment in German and Italian machines to produce and package chocolate biscuits, swiss rolls, potato chips and other luxury food items, including coffee, the *bakery still uses only one third* of its production potential.

Two years ago, such products were virtually unobtainable in Poland's cheerless and empty shops. Since then the market has been flooded with luxury imports – more than $4bn was spent on consumer goods out of the total $14bn *spent on imports last year.*

Winkler is one of a growing number of consumer companies which have been quick to spot a profitable opportunity in substituting for imports by producing similar high quality goods from a *lower* cost Polish base.

But pioneering the return of private enterprise has not been easy. Four months after raising the equivalent of $1.5m from Polish banks to finance the purchase of his bakery a combination of high domestic inflation and soaring interest rates *doubled the zloty cost of the* investment.

Mr Winkler then switched to foreign funding. But in the meantime the zloty fell 47 per cent against the dollar. The currency factor, when added to the 12 per cent nominal interest rate on the loan, translated into a total 59 per cent annual *servicing charge.*

Poland's cheap labour costs are also often more apparent than real. "I know the unemployment problem around here and when I bought the bakery *I took* on the people as well. But that means I employ 230 people where a Swedish competitor using the same equipment would employ only 80," he says with a shrug.

Even so, Mr Winkler reckons that his potato chips are 50 per cent cheaper than those of imports and costs will come *down further* when he manages to triple output with only minor new investment and the same labour force. Meanwhile, he complains: "I have to spend more time worrying about changes in tariffs, duties and interest rates than developing production".

Last March, for example, when he imported a German food machine, he had to pay an import *duty of DM225,000.* "Since then the government has abolished duties on these machines so my competitors are able to buy them more cheaply. I wish they would make up their minds."

Since buying the factory he has also seen his property tax payments *rise* from 80m zlotys to 450m zlotys as the cash-strapped local authority zeroed in on the prosperous-looking new venture. "I don't mind. I can see how desperately they need the money. But my satisfaction is in producing. *I just* want the government to let me get on with the job and not throw obstacles in the way."

Picture: Anthony Robinson

**Henryk Winkler: making foodstuffs to compete with imports**

# Lessons in Polish business

**PACIFIC-TORUN, a joint venture between the Baring company of San Francisco and the Torun city council, is another food company expanding *fast to satisfy the new market* for good quality foods.**

**But the US shareholder recently faced an uphill task to persuade the cash-strapped town council to accept adilution of its sharein recognition of a $4.5m investment by the US partner which would greatlyincrease *capacity and profitability.***

**The municipality, whose contribution to the joint venture was the land and the factory, wanted as much profit as possible as quickly as possible. While understanding that investment in new plant by the US partner would raise future profits it was reluctant to see its *overall share in the company* drop from 49 to around 20 per cent.**

**Without the investment, however, the plant would soon have been unable to compete against imports and upgraded local producers.**

**For the US shareholder, this provided valuable experience *of the the non-economic,* cultural and political factors which can make investment in Poland a tricky business.**

### Profile: MACIEJ SKARBONKIEWICZ OF BYDGOSCZ

# A man of diverse parts

THE president of the Plexis precision engineering company in Bydgoszcz, Maciej Skarbonkiewicz, runs his diversified enterprise from an elegant panelled office attached to his precision plastic extrusion die factory. He started building his company in the early 1980s after studying English in England for two years. In 10 years he has built the company up to a $4m a year turnover, adapting quickly to changed circumstances. Latterly, he has built an atelier to produce high-quality, women's fashion clothing in the attic of the die factory and branched out into importing liqueurs, and con*sumer electronics. He has also* entered a joint venture with OKT of Germany, renting the storage hall of a nearby state-owned bakery to produce a wide variety of plastic household products.

The imported German machines, easily serviceable by the skilled engineers from the Plexis factory, run 24 hours a *day producing the kind of* bright, cheap kitchen utensils simply unobtainable in Polish and eastern European shops a few years ago.

This summer he will start producing high quality plastic garden furniture under an agreement with Flair Plaisir of Holland. "We have developed many legs, to help us keep *afloat in fast changing times.* But the most difficult thing is to build up capital when interest rates are so high and government policies keep changing all the time."

He worries that few in government have any idea of the real needs of businessmen. He plans to enter parliament with the Liberal Congress Party, *whose leader Jan Krzyzstof* Bielecki found himself up against a rubber wall when he tried to close loss-making state enterprises.

### The privatisation programme has been bogged down, says Andrew Gowers

# 'Big Bang' is a damp squib

POLAND may insist that it wants "big bang" privatisation, but all it has produced thus far is a protracted whimper.

The country's much-heralded Mass Privatisation Programme (MPP), conceived as an effort to kick-start the transfer of large state enterprises into private hands, was supposed to be well advanced by *now*. Instead, it has been bogged down for months in legalistic quibbling and political disagreement. And while the government is trying to get the process moving by issuing invitations to *western companies it wants to* involve, it could still be knocked off course by an adverse vote in parliament.

The MPP – an ingeniously complex scheme under which up to 400 of the more attractive *state-owned companies are to* be parcelled up and transferred to investment funds managed by western banks and finance houses – admittedly represents only part of the government's privatisation efforts. *But it was designed to be the* showcase. Western economists, private Polish businessmen and government officials all worry that with the loss of momentum in its mass scheme. Poland is in danger of squan*dering a key opportunity to* transform its economy.

"Although efforts at liberalising and stabilising the Polish economy have been largely successful, privatisation, especially of the large enterprises, lags dangerously," wrote Jeffrey Sachs, the Harvard professor who has advised Poland and a number of other eastern European countries on their reforms, in a recent article in Scientific American. "This is the nation's key problem: unremedied, it could lead to the return of profound economic instability."

*Poland's present difficulties* should be seen in perspective. Its original plans to sell off half of all state-owned assets within three years always seemed over-optimistic. But it did make remarkable progress *early on – particularly in rap*idly selling off about 100,000 small- and medium-sized retail and wholesale stores previously owned by local authorities. Around 80 per cent of Poland's shops have been pri*vatised over the past two* years, and well over 40 per cent of Polish imports are now handled by private traders.

And the government is still disposing of a steady trickle of industrial companies, either *through public share offerings,* through direct sales to foreign "trade" investors, or by liquidation and sale of their assets to workforces or other buyers.

Nevertheless, the sums being raised by these means are still rather small. Last year for example, according to the Ministry of Ownership Changes, trade sales raised an estimated $150m; and while the hope is to treble the total or more this year, nobody is predicting a quantum leap. Around 30 more sales to foreign investors – including cement factories, paper and pulp manufacturers, *breweries and food processors* – are under discussion. The ministry is talking of making 50 to 60 trade sales this year, out of a total of 209 companies on offer, as well as selling stakes in three Polish banks.

*Recently, there has also been* progress in bringing foreign investors into Poland's heavier industries such as car manufacturing – with the memorandum of understanding between the Polish govern*ment and General Motors* providing for assembly of Opel cars in Warsaw – and power generation. Still, the privatisation process has not yet made great inroads into the state assets that really matter. There *are several reasons for this.* One is that large parts of the Polish state sector are simply not profitable. Another explanation lies in the extraordinarily complex procedures involved.

To prepare a state enterprise for privatisation through a trade sale, public offering or participation in the mass programme, it first has *to* be transformed into a corporation with stock controlled by the Ministry of Ownership Changes. This process, known in Poland as "commercialisation", requires the consent of *workers' representatives*, and such consent is not always given because restructuring and job cuts are often a prelude to privatisation.

Even when "commercialisation" takes place, there is no *guarantee that the management* of a state corporation will improve sufficiently to make it attractive to investors. The idea is that in a state-owned joint stock company, workers' councils should not have such *a decisive influence over management.* But in practice, that form of constraint tends to be replaced by another. As one privatisation official put it: "The change of status doesn't seem to mean much. In fact the *management of a commercial*ised corporation tends to be more constrained by a politicised board of directors and by ministry clerks."

In effect, the government is trying to satisfy a number of disparate objectives with its privatisation effort, and it shows. According to ministry documents, it wants to use pri*vatisation to: inject market* forces into the economy; improve the performance of enterprises; prevent the sale of state assets to foreign investors at unduly low prices; generate funds from the sale of *enterprises; ensure a wide dif*fusion of ownership; provide an effective system of corporate governance; start exchanging Poland's foreign debt into equity in privatised enterprises; and meet the needs of *social justice. Arguably, these* aims cannot all be met at once.

This is where the Mass Privatisation Programme was supposed to come in. It was dreamed up as a mechanism for squaring the circle: for *drawing in western manage*ment expertise without provoking accusations that the government was selling its family silver to foreigners. The trouble is twofold: it is proving complicated to implement, and the *politicians are showing* signs of dragging their feet.

The scheme – prepared by the ministry with the assistance of S G Warburg, the London merchant bank, and formally unveiled in December – *is eventually expected to* involve up to 400 state factories, accounting for some 25 per cent of the country's industrial sales *and 12 per cent of* total employment. The government wants to transfer 60 per cent of the equity of these companies to a number of closed-end investment funds known as National Wealth Manage*ment Funds; of the remainder,* 30 per cent would continue to be held by the Polish government and up to 10 per cent given to employees.

These groups, the first of which, running up to 200 enter*prises, are supposed to be set* up in the autumn – would have Polish chairmen and partly Polish boards, but would be managed by western banks and other financial institutions for a fee. They would subse*quently be privatised,* with shares in them distributed for a nominal sum to every Polish citizen over 18. Over time, the authorities would have initiated a Polish version of popular capitalism, with a batch of *well-managed* companies traded on an active Warsaw stock exchange and enriching the portfolios of a new breed of local institutional investors.

"This is really very innovative. It hasn't been tested anywhere in the world," enthuses an adviser to the privatisation ministry. "It's a logical combination of local possibilities with ideas from western capital markets."

So much for the theory. In practice, the process has yet to get off the ground. Although the initial announcement attracted lively interest from some 50 potential fund managers, *the launch date has* repeatedly slipped as the government has hesitated to put it to parliament. At the end of March, Warburg's contract with the government to assist with the scheme expired, and the UK's Knowhow Fund, which was funding the project, refused to provide another injection of cash unless it received a *letter* from Mr Jan Olszewski, the prime minister, formally restating his government's commitment to the MPP.

As a result, Mr Tomasz Gruszecki, the privatisation minister, has had to write what amounts to a holding letter to his potential western partners, inviting them to tender but warning them that at a later stage the government or the parliament might change the terms. It remains to be seen how many western banks and fund managers are bold enough to wade into such shifting sands.

To some exasperated Polish businessmen, and to outside observers, *it* looks as if the mass privatisation programme, far from eliminating red tape, could continue to tie *the* government in great knots of it for some time to come.

# REPUBLIC OF POLAND – MINISTRY OF PRIVATISATION

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- **Breweries**
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- **Cement and lime**
  International Finance Corporation
  Mr Reyaz Ahmad/Mr Gavin Wilson
  Resident Mission in Poland
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- **Commercial vehicles**
  Maison Lazard
  M. Jean Pierre Saltiel
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  Tel: 33 1 441 130111, Fax: 33 1 456 32250
- **Cosmetics, toiletries and detergents**
  Bain & Company
  Mr Fritz Seikowsky
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- **Machine tools**
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  Mr Guy Harrington
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- **Pulp and paper**
  Hambros Bank
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- **Textiles**
  For the names of the relevant transaction managers please contact:
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  Mrs Marie Theresa Ledochowska
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* Arthur Andersen is advising three companies in this sector. Please contact Mr Neil Yeomans, Arthur Andersen Sp. z o.o., ul. Nowy Świat 6/12, 4th floor, 00-920 Warsaw, Poland, Tel: 48 39 12 05 65, Fax: 48 39 12 05 73

## A SELECTION OF COMPANIES WHICH ARE CURRENTLY FOR SALE

This list consists of joint stock companies, which are part of the capital privatisation programme and which are now being offered because they are believed to be particularly suitable for private investment. As part of the Polish Government's Privatisation Programme and in accordance with Article 23 of The Act on the Privatisation of State-Owned Enterprises of 13 July 1990 (DZ. U. No. 51, poz. 298) an Invitation to Negotiate is extended to interested parties by the Head of the Ministry of Privatisation, acting on behalf of the State Treasury of the Republic of Poland. The Ministry of Privatisation intends to sell stakes in these companies of up to 80% to trade or financial investors and will not consider offers for stakes of less thas 10%.
In accordance with The Act on the Privatisation of State-Owned Enterprises up to 20% of the shares of these companies will be offered to the employees of the companies and residual stakes may be floated on the Polish Stock Exchange.
All enquiries concerning this Invitation to Negotiate should be addressed to the appropriate transaction manager, as listed above.

### Breweries

- **Zakłady Piwowarskie Tychy S.A.**
  Two breweries, a malthouse and a soft drinks plant;
  1991 production 1032.6 ths hl (beer only)
- **Górnośląskie Zakłady Piwowarskie S.A. w Zabrzu**
  Six breweries and a soft drinks plant;
  1991 production 807.9 ths hl (beer only)
- **Zakłady Piwowarskie Wrocław S.A. we Wrocławiu**
  Seven breweries and three malthouses;
  1991 production 874.5 ths. hl
- **Zakłady Piwowarskie w Leżajsku S.A.**
  Four breweries; 1991 production 888.8 ths. hl
- **Zakłady Piwowarskie w Warce S.A.**
  Two breweries and an apple concentrate factory;
  1991 production 552.8 ths hL (beer only)
- **Browar Szczecin S.A.**
  One brewery and a soft drinks plant;
  1991 production 206.3 ths. hl. (beer only)

### Cement and lime

- **Śląskie Zakłady Przemysłu Wapienniczego OPOLWAP S.A.**
  Manufacturer of lime products
  Turnover 1991 $ 17.2 million

### Cylinders and valves

- **FLT Prema-Milmet S.A.**
  The cylinders and valves division
  of this ball bearing company
  Turnover 1990 for the division $9.8 million

### Glass

- **Huta Szkła Jarosław S.A.**
  Manufacturer of amber and flint container glass,
  (0.2 – 1.5 litres); 1991 production 180.000 tonnes
- **Krakszkło Sp. z o.o.**
  Manufacturer of mirrors, secondary edge polishing;
  1991 production 371.000 sq. m. processed glass

### Meat processing

- **Gdynia Meat S.A.**
  Processed meat
  Turnover 1991 $ 28 million
  Volume 1991 14,200 tonnes
  Contact: Ernst & Young
- **Ostrołęka S.A.**
  Smoked products, boned out meat, carcass meat.
  Own distribution and retail outlets
  Turnover 1991 $ 60 million
  Volume 1991 23,629 tonnes
  Contact: Arthur Andersen
- **Pozmeat S.A.**
  Smoked products, fresh meat,
  canned ham and shoulders
  Turnover 1991 $ 63 million
  Volume 1991 38,056 tonnes
  Contact: Arthur Andersen
- **Tormies S.A.**
  Slaughtering, meat production
  processing pork and beef products
  Turnover 1991 $ 36 million
  Volume 1991 18,530 tonnes
  Contact: Arthur Andersen

### Machine tools

- ***Fabryka Obrabiarek Specjalnych FOS – Wiepofama****
  Manufacturer of customised machining centres
  and transfer lines; Turnover 1991 $ 7.8 million
- **Fabryka Wtryskarek Ponar – Żywiec S.A**
  Manufacturer of injection moulding machines and
  plastic presses; Turnover 1991 $ 9.2 million
- **Fabryka Szlifierek Jotes – Łódź***
  Manufacturer of grinding machines
  Turnover 1991 $ 6.8 million
- **Fabryka Przyrządów i Uchwytów Bison-Bial S.A.**
  Manufacturer of lathe chucks and other workholding
  equipment; Turnover 1991 $ 13.8 million
- **Fabryka Automatów Tokarskich FAT – Wrocław***
  Manufacture of medium sized universal manual
  and CNC lathes; Turnover 1991 $ 13.7 million
  *Currently a state owned enterprise

### Textiles

- Ten joint stock companies.
  *Wide variety of products including*
  carpets, tents, knitwear, cotton, velvet,
  denim and finished garments
  Turnover 1991 range from $0.9 to $24 million

### Cutlery

- **Hefra S.A.**
  Silver and steel tableware manufacturer
  Turnover 1991 $3.5 million
  Contact: NMB BH Consultants

## PROCEDURE

Interested parties should respond initially by sending an expression of interest to the relevant transaction manager. They will be sent *a confidentiality letter for execution, a condition precedent to their receiving an Information Memorandum.* The Ministry of Privatisation and its transaction managers reserve the right to proceed to negotiation of a purchase contract at any time, on the basis of a suitable offer submitted in response to this Invitation to Negotiate and to the Information Memorandum.
*The Ministry of Privatisation also reserves the right to revoke this Invitation to Negotiate and not to enter into negotiations* without giving any reason.

**Christopher Bobinski** investigates the rise in foreign trade

# New era dawns for consumers

LONG lines of lorries at *Poland's western frontiers bear* eloquent testimony to the increasingly important role foreign trade is playing in the country's economy. Over the past two years the availability of formerly unimagined foreign goods in Polish shops has been one of the most important tangible signs for ordinary Poles that a new era has dawned.

Exports, too, have taken on a new vitality and export promotion is now at the heart of the government's strategy for economic growth aided by *last* December's association agreement with the European Community. The EC agreements should see the removal of remaining trade barriers for industrial goods by the end of the century and easier access *for farm goods.*

Trade growth has been impressive since the first post-communist government lowered trade barriers, devalued the zloty and made it internally convertible in January 1990. The share of imports in GNP grew from 13.6 per cent in 1989 to 22.8 per cent last year while the share of exports almost doubled from 9.2 per cent to 15.3 per cent in 1991.

The first half of 1991 saw an explosion of private sector trading. *Half of last year's* $15.5bn imports were brought in by private individuals and companies and 22 per cent of the $14.6bn exports were sold by the private sector.

Germany, an easy car or truck ride away from most Polish cities, was the source of two-thirds of the private sector's imports and the market for 50 per cent of its exports. At the other extreme the col*lapse of the Soviet economy*, together with the demise of the transferable rouble and its replacement by dollar pricing, led to a collapse in trade with the former *Comecon countries* to around 10 per cent of turnover last year from 50 per cent.

Such a rapid collapse has been painful and disruptive. *Poland still needs to import* gas and oil from Russia and last year continued to run a deficit with the former Soviet Union while industries such as textiles, pharmaceuticals and engineering were left gasping at the disappearance of a mar*ket they had been welded to* for more than 40 years.

Even private manufacturers such as Mr Andrzej Czernecki, managing director of medical *instruments* company HLT, accuse the post-communist governments of not doing enough to support trade with the east. Poland's share of the former Soviet Union's imports shrank from 9 per cent in 1990 to 4 per cent last year, the largest fall among the former Comecon partners, while the US, Turkey and even Thailand increased their share of the Soviet market.

The loss of the Soviet market has been partially compensated for by trade with the EC which bought more than half last year's exports. Thanks to a 29 per cent rise in exports to $8.3bn, Poland ran up a $560m surplus with the EC although imports rose 87.4 per cent to $7.7bn.

But the unprecedented sharp rise in imports contributed to Poland's overall $823m trade deficit last year and provided the background to a debate about the wisdom of keeping a fixed exchange rate for the zloty in spite of rising inflation. The resulting zloty appreciation against western currencies contributed to an unprecedented influx of foreign consumer goods worth $4.8bn, 157 per cent more than in 1990.

The flow was partially stemmed by a 17 per cent devaluation in May and higher customs tariffs in August. In the autumn Mr Leszek Balcerowicz, the then deputy premier in charge of the economy, was persuaded to introduce a "crawling peg" devaluation. Until then he remained determined to use an overvalued zloty to help control inflation and put competitive pressure on domestic industry.

Imports tightened the pres*sure on domestic* producers and increased political pressure for aid to industry and a more actively pro-export policy. This was also advocated by *the World Bank* which urged that exports should be treated as the only effective source of increased demand to combat the recession and that *exchange rate policy* should be used to stimulate that growth.

The government heeded the message. It approved a 12 per cent devaluation in February and appears ready to devalue again if needed. At the same time wage controls are to be *tightened to maintain competi*tive advantage while depressed internal consumption should also spur manufacturers to look for markets abroad.

With GATT predicting a 4 per cent increase in world trading volumes this year, there should be room for the 3 per cent growth in exports for which the government is budgeting. The EC will be the prime target of this export drive which *will* be concentrated on metallurgical goods, furniture and agricultural products.

This will test Brussels's commitment to a gradual dismantling of trade barriers as enshrined in Poland's crucial Association Agreement with the EC. The agreement has yet to be ratified by *Poland's* parliament where it has its opponents. Polish steel makers are also well aware that they remain very much at the mercy of EC producers who can regulate trade through non-tariff barriers. But the big worry is enforcement of safeguard clauses in the agreement which permit a reversal of specific free trade promises if Poles become too successful in EC markets.

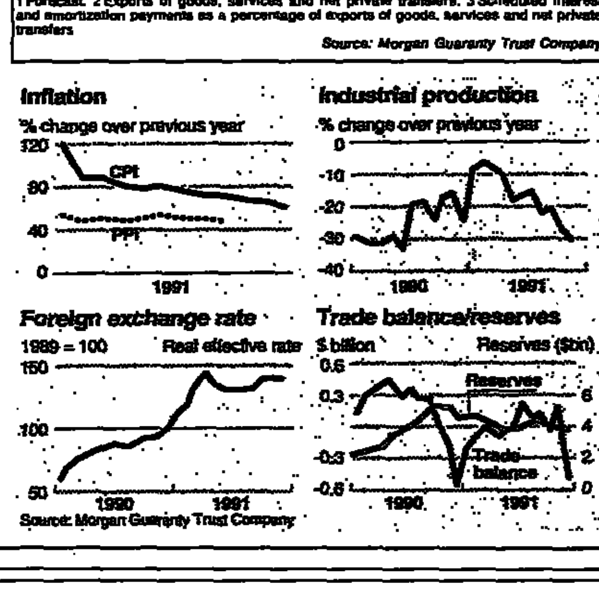
**KEY FACTS**

**Area:** 312,683 sq km
**Population:** 37.85m
***Head of state:*** *Lech Walesa*

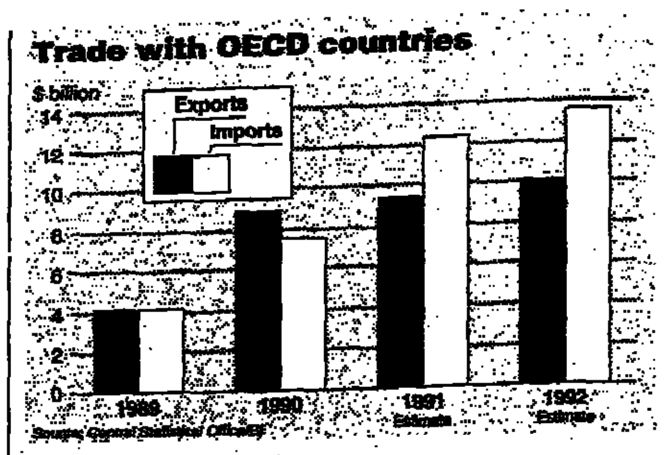
| Economy | 1990 | 1991[1] |
|---|---|---|
| **Balance of payments ($bn)** | | |
| Merchandise trade balance | −0.1 | −0.5 |
| Exports | 13.3 | 14.4 |
| Imports | −13.4 | −14.9 |
| Net services & transfers | −2.0 | −1.8 |
| Current account balance | −2.1 | −2.3 |
| % of GDP | −2.6 | −2.6 |
| International reserves ($bn) | 3.6 | 3.4 |
| Import coverage of reserves number of months | 2.5 | 2.2 |
| Total external debt ($bn) | 48.3 | 47.7 |
| Short term | 1.1 | 1.0 |
| Owed to commercial banks | 11.2 | 12.1 |
| Total external debt % of GDP | 61 | 53 |
| *Total external debt % of exports*[2] | 314 | 299 |
| Interest payments, % of exports[2] | 18 | 14 |
| Debt service ratio[3] | 23 | 16 |

1 Forecast. 2 Exports of goods, services and net private transfers. 3 Scheduled interest and amortization payments as a percentage of exports of goods, services and net private transfers

*Source: Morgan Guaranty Trust Company*



Source: Morgan Guaranty Trust Company




STOCK EXCHANGE

# Happy returns on first birthday

WARSAW'S stock exchange, *which celebrated its first birth*day this month, remains small, albeit perfectly formed.

It is based on the French order driven system with shares rising and falling within a 10 per cent band at any one session.

*It* is computerised and its modern book entry system is designed to protect investors. Pioneer International Corp from the US, the first foreign investment fund to get a licence to operate in Poland, say that this was an important factor which prompted them to get involved.

*The* exchange *and* the brokers are policed by the Polish Securities Commission, which is a full member of the International Organisation of Securities Regulators and has adopted a US regulatory model. The commission, headed by Mr Leslaw Paga, demands the highest standards in company prospectuses and has already suspended several stockbrokers found guilty of contravening trading rules.

For the moment the exchange trades in *12 stocks* including breweries, clothes and electronics manufacturers. Another 10 are expected to join the list this year with the first bank, the Export Development Bank (BRE) among them.

Mr Wieslaw Rozlucki, chairman of the stock exchange, is disappointed at the slow pace of privatisation but the few stocks traded have a high turnover ratio with 30 to 40 per cent of the stock of most companies changing hands over the year.

This means that quite a lot of money has been made and *lost in the exchange on the* fifth floor of what was once the Communist party headquarters in downtown Warsaw.

The past 12 months have *seen 3.5m shares worth 700bn* zlotys traded first at weekly sessions and lately twice a week.

The 12 quoted shares are *capitalised at about $150m* and are relatively cheap with a lowly p/e ratio of 3 compared, say, to the Budapest exchange where the ratio is 7. Investors are mostly *small* savers.

Around 100,000 Poles have bought shares and half of those opened accounts with the 26 stockbroking offices mostly run by *banks* which enable them to buy and sell at will.

**Christopher Bobinski**

## The initial ardour of many would-be investors has cooled

# Paradise for consultants

POLAND has become a consultant's paradise as legions of accountants, merchant bankers, lawyers, company doctors, would-be fund managers and the like have swarmed all over the country's 8,000 state-owned enterprises and fledgling financial institutions offering advice — but little money.

Meanwhile, the disruption caused by three governments in quick succession, bureaucratic delays caused by lack of expertise in a former communist bureaucracy made worse by low salaries and poaching of talent by foreign companies and the private sector, have cooled the initial ardour of many would-be investors.

The government's own figures show that 5,000 joint ventures and foreign-owned projects with a declared investment value of $690m were in place by the end of the year.

This is only a third of the Hungarian level – and Hungary has only a quarter of Poland's nearly 40m population.

Most investments have been small or medium, with none of the megadeals such as Volkswagen's takeover of the Skoda car company in Czechoslovakia.

Much painstaking groundwork has been done, however, and this year the pace should speed up. Much will depend on the outcome of the mass privatisation scheme due to be launched mid-year.

The rag-bag portfolio of state or municipally-owned enterprises have been sorted into 96 separate industrial sectors. They are being carefully analysed by western accountants and merchant bankers before their sale, privatisation, re-organisation or closure.

More than 30 foreign investment projects are at an advanced stage of negotiation. In the automotive industry alone, for example, GM Europe is finalising details of its planned $75m investment at Warsaw's FSO car plant as is Fiat with its $200m auto project at FSM in southern Poland. Volvo is also negotiating to assemble trucks at the Jelcz plant also in southern Poland and Peugeot is also negotiating to assemble 405 models in Lublin.

Poland is also attracting the multinational food and consumer goods corporations busy carving out market share in everything from packaged foods to detergents and baby goods.

Strategic investors such as the Swiss-Swedish ABB are also busy building up capacity and skills for the heavy energy and other infrastructure investments which will have to take place in the latter part of the decade and well into the next century.

For all the delays and frustrations, a rapid, if apparently chaotic transformation of the economy is taking place. The old communist economy with its heavy emphasis on heavily polluting, inefficient, coal-fired power plants, iron and steel, heavy engineering, basic chemicals and trade with eastern Europe and the Soviet Union is in profound crisis.

But some sectors are doing better than others. It still makes sense, for example, when skilled labour is paid only $200 a month, to build ships for export and invest in modernising and raising productivity of the Baltic shipyards.

A big problem here, in spite of fast-rising official unemployment, is shortage of labour willing to work under harsh conditions for such wages deliberately kept low by government policy.

**Anthony Robinson and Christopher Bobinski**

**Principal foreign investments 1990-1991 ($m)**

| Name | Capital | Investment commitment or project cost | Total |
|---|---|---|---|
| ABB | | | 200 |
| Marriott (US) | | 120 (Hotel) | 120 |
| Radison (US) | | 120 (Hotel/office) | 120 |
| PepsiCo (US) | 25 | 56 (Food) | 81 |
| Coca Cola (US) | | 60 (Food) | 60 |
| Philips (Dutch) | 16 | 30 (Lighting) | 46 |
| Unilever (Dutch/UK) | 20 | 24 (Detergents) | 44 |
| Thomson (Fr) | | (TV tubes) | 35 |
| Trust H Forte | | 35 (Hotel) | 35 |
| Ilbau (Austrian) | | 30 (Office) | 30 |
| Vienna Int | | 30 (Hotel) | 30 |
| Henkel (Germany | 10 | 18 (Detergents) | 28 |
| Gerber (US) | 11 | 14 (Food) | 25 |
| Beloit (US) | 7 | 15 (Machinery) | 22 |
| Rogener (Fr) | | 20 (Hotel) | 20 |
| Proctor & G | | 15 (Distribution) | 15 |
| Siemens (Germany) | | 12 (Telecom) | 12 |
| Benckiser (Germany) | 5 | 4 (detergents) | 9 |

Source: Midland Montagu Financial Services, Warsaw

Old-fashioned peasant farming lives on in this still largely rural country, writes **Anthony Robinson**. In spite of the presence of two peasant parties in the governing coalition, however, farm incomes have been blocked at 1989 levels due to slashed subsidies and increased competition from EC imports. Farmers have reacted to lower prices by cutting their consumption of fertilisers, herbicides and pesticides. Fertiliser use per hectare, for example, has fallen from 198kg in 1989 to a forecast 75kg this year.

## Profile: GEORGE BONAR

# A hunter of business gems

*IN SPITE of its problems* Poland still has its fans who insist that, while not always easy, the country well merits closer attention.

Mr George Bonar, a Polish-born Canadian entrepreneur who is chairman, president and chief executive officer of International UNP Holdings Ltd, a Toronto-based, Polish investment fund with C$9.5m capital and an impressive list of blue-chip international financial shareholders, is one of its keenest fans.

Over the past few months he has examined around 250 medium-sized Polish companies. Out of a preliminary short list of 50 he has selected 15 for "due diligence" examination.

His board has also recently approved taking a controlling stake in the first two companies. "It is our policy to take a stake of over 50 per cent so we control the shareholders' meeting and the supervisory board and can change the management if we like." But, Mr Bonar adds: "If we didn't like Polish management we would not have come this far."

**The first two acquisitions produce basic consumer goods**

Significantly, the first two acquisitions are companies producing basic consumer goods which are also dominant in their industry – a common characteristic of enterprises under the highly monopolistic communist system.

IBIS in Bydgoszcz, for example, the first of UNP's acquisitions is Poland's largest bakery equipment maker while Biawar is the largest producer of water heaters.

To those who despair that Poland's several thousand state-owned manufacturing companies can ever be turned into modern, profitable, capitalist enterprises, Mr Bonar, from first-hand experience retorts: "I think there are gems among those middle-sized companies with up to 1,000 employees and sales up to $8-10m."

Convinced that many of these companies are capable of producing the 35 per cent return on capital which justifies such a venture capital approach Mr. Bonar adds: "There are several hundred of these companies and we are going out to find them. They will be the micro-economic success stories of the future."

For Mr Bonar, Poland is going through the sort of historic transition which opened up such profitable opportunities for post-war investors in Germany, Japan, Korea and Taiwan. With a highly-skilled and literate labour force, and a relatively low wage structure, the infusion of capital, technology and management skills will make almost any business highly competitive, he adds.

**'These companies will be success stories of the future'**

**Anthony Robinson.**

## The impact of private banks on the economy is still very small

# Signs that all is not well

DAVID BOGATIN, the Russian-American owner of the FirstCommercial Bank in Lublin, recently proved that being a banker in Poland requires special skills. Recently, for several anxious moments he had to harangue a crowd of anxious depositors from the windows of his head office. Using all his powers of persuasion he succeeded in calming the crowd and stopping the run on the bank which was started by newspaper reports that he was being sought by New York state for tax avoidance.

But subsequent revelations about Mr Bogatin's alleged links with the Mafia and his incarceration pending extradition to the United States provide a clear sign that all is not well with Poland's private banking sector.

The number of private banks grew rapidly in 1990 and 1991. There are now about 80. They benefited from the general political climate favouring the private sector which helped pressure the NBP, the central bank to issue licences where its better instinct counselled prudence.

Indeed, Mr Stanislaw Bereza, formerly of Barclays Bank, who headed the NBP's supervisory section until a few weeks ago, now argues for more caution in bank licensing. "There aren't enough experienced people in the country to run that number of banks," he says. Western aid schemes to banking tend to bypass the private sector which needs advice on banking as much as state banks, he adds.

The bank supervision department is seriously understaffed with just over 60 people to keep an eye on the 80 or so private banks.

This may not yet be as serious as it seems. The impact of the private banks on the economy is still very small. They handle only 5 per cent of total personal deposits. But they also sometimes act as "money shops" for small groups of people, Mr Bereza says.

In some cases private banks have been involved in transferring funds abroad. The Art-B company, for example, is estimated to have transferred some $200m which the banking authorities are now trying to get back. The private BHK bank, recently closed down by the central bank, also helped Art-B conduct its cheque-kiting operation. (This type of operation involves drawing cheques on an account which does not have sufficient funds and banking them in a second account. The account-holder then makes use of the "non-existent" funds in that account before the cheques can be cleared and dishonoured.)

Some of the private banks, such as the BIG bank, are working to bring their capital base into line with capital adequacy requirements, and some such as the Kredytbank whose experienced staff came from the Export Development Bank, have a growing degree of in-house expertise.

But western bankers in Warsaw tend to give the sector generally a wide berth, preferring to work with the established banks. "The private sector is too small and there's no point in worrying about the risks," says one.

Indeed, it may be left to Poland's bank privatisation programme to give the sector the boost it needs. The government expects to raise 1,200bn zlotys from sales of banking institutions this year. The well-regarded Export Development Bank is expected to be sold first through a public share offer. Two other state-owned banks, the Wielkopolski Bank Kredytowy and the Bank Slaski, are also looking for western investors to take up to a 20 per cent share.

Government policy is to retain a 30 per cent stake in these two banks leaving up to 40 per cent to be sold to the general public and 10 per cent for the staff.

For the moment, though, it is up to the foreign banks in Poland to create competition for the state sector as well as training staff for Polish banks.

Among foreign banks Citibank and the Dutch NMB bank concentrate on serving the larger foreign companies as well as Polish corporate clients while Amerbank, a joint venture which is in effect being run by Banker's Trust, has developed a retail banking operation to individual clients.

The Austrian Creditanstalt seems to be following suit while Raiffeisen, also from Austria, is providing a mixture of services. These operations are small and some are waiting for the telecommunications infrastructure to be put into place.

The foreign banks are grateful for the new state-owned Polish Development Bank, which channels World Bank and other foreign funds through to other banks, because this is helping to develop a money market. But before Poland has a full-blown private banking sector worthy of confidence it seems likely more bankers will find themselves like Mr Bogatin, having to plead from window sills.

**Christopher Bobinski**

## Tangles arise in dispute over car quotas

# Fierce competition for big market

POLAND'S mini dispute over car quotas with the European Community is an example of the tangles that arise when people say one thing and then demand to be allowed to do another.

In this case it is the western multinationals' lack of commitment to free trade that seems to have given rise to the problem.

Last year, just as Poland was negotiating its Association Agreement with the EC aiming at a gradual dismantling of trade barriers in industrial goods, General Motors Europe, which was negotiating a joint venture with Warsaw's FSO car plant, was asking the Poles for high customs tariffs as a condition of going ahead with their investment. As the Poles need both sides, they persuaded Brussels to accept the 35 per cent tariff on imported cars which would gradually be removed till the year 2002 but accepted Brussels's suggestion that 30,000 cars a year would be permitted to come in duty free from the EC.

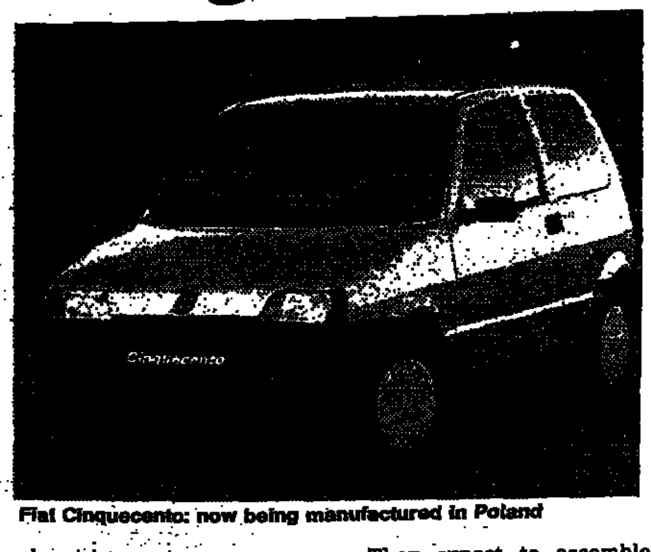
That seemed to satisfy GM Europe who are on the verge of agreeing to install an Astra assembly line at FSO and are promising further investment in years to come. But it left the thorny problem of how to divide the 30,000 quota among European car manufacturers, many of whom spent most of last year preparing to invade a buoyant Polish market which imported more than 300,000 mainly used cars last year.

**Many European car makers spent last year preparing to invade a buoyant Polish market which imported more than 300,000 mainly *used cars last year***

Finally, the Poles decided to treat the quotas as an added investment incentive. Thus, those who invested at least $50m in Poland would get their fair share. That, for the moment, narrows the list of beneficiaries to three – GM Europe who are looking at FSO, Fiat Auto of Italy who are negotiating a joint venture with the FSM plant in southern Poland, and Volkswagen who are talking seriously of assembling the Toyota pick-up truck they now make in Hanover in Poznan.

Each, the Polish trade ministry announced, would be able to import 10,000 vehicles duty-free, a concession which could be worth up to $25m each a year.

The decision, though, hit the French manufacturers, with Renault, for example, protesting that it had invested $50m in its sales network in Poland, and they got their government to have the car part of the Association agreement which came into force on March 1 suspended. They also asked Brussels to talk to the Poles about redesigning the way the quota is divided. That may take some time and the first meeting in Warsaw was held almost in secret.



Fiat Cinquecento: now being manufactured in Poland

Meanwhile, Peugeot has gone ahead and signed an agreement with the FSC truck factory in Lublin for assembly of their 405 model beginning in mid-1993.

They expect to assemble 2,000 a year initially, rising to 10,000 in the fourth year. Kits, it may be added, come in duty-free in any case.

**Christopher Bobinski**

## Christopher Bobinski on a privatised brewery

# A race against time

"IT'S GOOD to see people drinking Zywiec," Mr Adam Loewe says sitting in the bar in Warsaw's Holiday Inn hotel and watching guests ordering his brewery's beer. A quiet satisfaction beams from the 33-year-old managing director as he says it but the feeling is matched by the evident responsibility he feels for the brewery privatised through a public share offer last summer.

The sale was a success with the 1.5m shares offered to the general public as well as to larger investors snapped up within days. The offer price of 100,000 zlotys soon rose once the brewery came on to Warsaw's fledgling stock exchange to its present 178,000 zlotys or so level.

Down at Zywiec in southern Poland where the brewery was founded 136 years ago by one of the Habsburgs the benefits of privatisation soon came to be felt.

Wages rose freed of the controls in force throughout the state sector, management was streamlined and, as Mr Loewe says, people began to see money in quite a different light.

"Now every zloty invested has to generate profits," he says comparing the present favourably with an accountant-free past. Privatisation saw the plant freed of several taxes still in force in the state sector and net profits last year soared to 133bn zlotys from 1990's 51.8bn zlotys.

This year the first two months' results suggest that net profits could hit the 180bn zlotys mark.

But the benefits of privatisation have already been discounted and in a sense Mr Leowe's problems are now beginning. He has inherited outdated equipment that is more labour, energy and raw materials intensive than in breweries in Germany or Denmark. His costs are higher than theirs making him vulnerable to competition from imports.

The threat will be greater if it were not for a 30 per cent customs tariff which Mr Leowe is hoping that the government will keep in place. His longer-term response is to invest in modern equipment enabling him to cut labour and other costs.

**Privatisation saw the plant freed of several taxes still in force in the state sector and net profits last year soared to 133bn zlotys from *1990's 51.8bn zlotys***

This year his investment budget is set at 120bn zlotys eating up much of last year's profit. Some of the capital investment will be financed by loans from abroad but in any event shareholders' dividends this year will be squeezed, threatening a drop in the share price on the stock exchange.

That, in turn, makes Zywiec vulnerable to a take-over from foreign competition. At one point in 1990 Heineken expressed an interest in buying 51 per cent of the company. Then the government decided to float it on the domestic market.

Mr Leowe agrees this was the right thing to do. Even though he comes from the industrial district of Silesia where he originally worked for Weglokoks, the state coal trader, he fully identifies with the Zywiec century-old tradition.

"I wouldn't like to see the name disappear and that could happen if we were bought up now," he says.

At present the Zywiec p/e ratio of 2.7 makes the company easy prey should anyone want to take it over. Mr Leowe, though, is looking to the 20 per cent of the equity held by management and workers as well as another 10 per cent held by Invesco Central Europe, a UK-based investment fund, to guard against such an eventuality.

He sees himself as being in a race against time. He wants to bring the plant's annual capacity up from the present to 1.2m hectolitres to 2m hectolitres brewed on modern equipment within the next few years. Then, he says, be will ready to go into a joint venture with a foreign partner on more equal terms and retain the Zywiec identity.

"After all," he says, "GM bought Adam Opel before the war but the name remains to this day."



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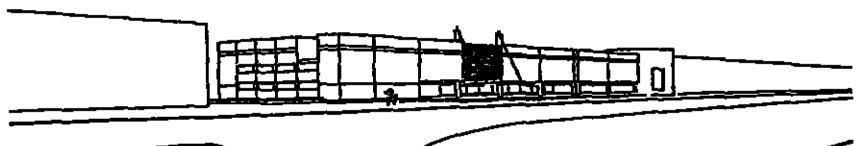

## Heavy industry is due for radical restructuring

# Challenging future

THESE are trying times for Polish heavy industry, often saddled with pollutive, obsolescent plant and still managed by communist-era administrators. They are under pressure from powerful workers councils to maintain employment and from a government desperate to privatise and to keep public sector wage increases below the rate of inflation.

The past two years have seen a nearly 40 per cent drop in production and most of this is concentrated in the mining, steel-making and heavy engineering sectors which are all candidates for radical restructuring and privatisation where possible. Some sectors, such as power engineering, are already in the throes of re-organisation under foreign owners like ABB, and other sectors such as shipbuilding also have good prospects for privatisation.

The problem areas are the coal mines and steel plants which, once emblematic industries of the old regime. Coal production has dropped from a peak of 190m tonnes in the 1980s to around 140m tonnes and many mines are threatened. Longer term, the emphasis will shift towards boosting domestic gas production and more efficient, less polluting coal-burning technologies.

The steel industry, at present working at around 60 per cent of its 18m-tonne capacity, is also being painfully re-structured. Last month the government decided to create a new holding company which will rationalise production at the Huta Katowice and Huta Lenina plants near Krakow with the loss of several thousand jobs. A new $120m continuous casting steel line from Mannesman in Germany, at present still packed up in crates, will be installed at Katowice to improve productivity and lower costs as steel-making is concentrated on the largely Soviet-designed plant.

In spite of the problems, mining of copper, sulphur, silver and coal as well as ship-building and heavy industry are still principal hard currency earners. Huta Katowice, for example, exported 70 per cent of its 3.7m-tonne production last year, much of it at a loss, apart from its finished products such as rails, beams and profiles. Until now, no large or medium-sized state enterprise has gone bankrupt and many are keeping going by involuntary inter-enterprise credits, built up through a chain of non-payment which has to be broken if inflation is to be reduced and the banking system kept afloat.

But Poland needs to modernise its railway and road infrastructure, its power generating plants, and much of its industrial base. All this requires a substantial heavy industrial capacity. Restructuring to produce the sinews of its own industrial regeneration, and finding the investment capital to do so, is the real challenge ahead for Poland and the international financial institutions.

**Anthony Robinson**

## ABB is well placed to seize business opportunities

# Magic label for sales

AT SOME point the modernisation of Poland's pollutived and inefficient energy system will cease to be a problem of huge dimensions and become a significant business opportunity for the suppliers of efficient generating and transmission equipment. ABB, the Swedish-Swiss engineering group, is positioning itself for that moment.

The decision to move east was taken by Mr Percy Barnevik, ABB's chief executive, and his board in January 1989. Poland and the giant Zamech engineering plant in the northern town of Elblag, with which ABB had longstanding licensing agreements, became one of its first targets. After 15 months of talks, first with the communists and then with a Solidarity-led government, a new company ABB Zamech was put in place.

ABB took a 76 per cent stake in the new company with the state retaining 19 per cent and 5 per cent reserved for employees. It was also granted a six-year profits tax holiday. ABB put up $15m for its share of the factory and invested a further $10m in machinery and equipment. It also pays $4m a year for a five-year lease on the buildings which used to build U-boats.

Since then, ABB has invested in seven other Polish factories, its latest acquisition being the Elta transformer plant in Lodz where it paid $10.4m for a 51 per cent stake. ABB employs about 10,000 people, making it Poland's largest foreign employer.

Re-training and skill upgrading is a crucial part of ABB's strategy. At Zamech, Mr Pawel Olechnowicz, the chief executive, heads a strong Polish management which enjoys advice and frequent visits from Zurich but is solely responsible for the plant's performance. Mr Olechnowicz, who once ran the steel castings department, says: "Since the company became ABB Zamech the plant has gained know-how, the management has learned English and the shop floor has improved work discipline."

A crucial management tool is direct access to ABB's worldwide sales network as well as financial backing. He also has the magic ABB label on his products which eases marketing. But until now, new capital investment has been relatively light although the medium-term investment plan has a $50m tag attached to it.

Mr Olechnowicz says $15m is being invested in the plant. The main changes have come through better management. The plant has been re-organised into "profit centres" with well-defined budgets and tight financial discipline. Factory space has been cut back and a satellite telephone link to Zurich has been installed to help head office monitor the company.

**Christopher Bobinski**

## Anthony Robinson visits the Baltic shipyards

# Back from the brink

FIVE ships are under construction for South African owners in Polish shipyards, a sign of the revolution in Poland's foreign economic relations and the competitive strength of the shipyards on Poland's Baltic coast.

The upturn in worldwide shipping orders and the wholesale closure of shipyards in the UK and elsewhere over the past decade has opened new opportunities for an industry which faced bankruptcy in the 1980s.

Gdansk shipyard, which in August 1980 became the focus of attention after a shipyard electrician called Lech Walesa leapt over the shipyard fence to rally workers behind a strike which led to the birth of Solidarity, was threatened with closure by the communist government only four years ago.

Now shipyard director Mr Hans Szyc says the yard has orders worth more than $1bn and is negotiating new orders worth $250m. Output rose 28 per cent in 1990 and a further 21 per cent last year but with domestic interest rates at around 60 per cent per annum and wages constrained by the government's *popiwek* tax on wage increases, the industry is constrained by tight credit and shortages of skilled labour, in spite of the more than 2m officially unemployed.

Thousands of skilled workers left Gdansk shipyards when it was under threat of closure. "Now we are left either with the old workers or the young recruits. We employ over 7,200 but we need another 1,000 skilled production workers to get to full production. At present we're only working at about 50 per cent capacity," says Mr Szyc.

The labour shortage, partly relieved by a group of 200 *gastarbeiter* shipyard workers from St Petersburg, is partly a result of low wages and harsh working conditions and partly a function of low productivity. It takes about 700,000 man hours on average to build a ship at Gdansk, twice the West European or Far Eastern levels. Wage rates by contrast are only 10 per cent of European and Asian levels although on average labour costs account for only 6 per cent of total shipbuilding costs.

Gdansk, with its old facilities and sprawling lay-out, traditionally concentrates on building specialist, high-value ships. Two of the five ships on order for South Africa – both reefer ships for Safmarine – are being built here. A further 10 such ships are on order, including six for Norwegian owners. The order book also includes four Ro-Ro (roll-on, roll-off) ships for Finnish owners and three container ships for French and German operators.

Picture: Anthony Robinson

A reefer ship under construction in Gdansk

Last year, the state-owned shipyard lost 280bn zlotys on its fixed price contracts as costs rose in line with inflation while the zloty's steady appreciation cut revenue.

The picture is brighter in the more modern and rationally laid out yards at Szczecin and Gdynia. The latter, which is a serious candidate for privatisation, has just won two orders for 110,000-tonne, double-hulled Afromax tankers from Burmeister and Wain of Denmark, bringing the total order book to well over 1m tonnes.

Apart from two dry docks, one able to accommodate ultra-large tankers and equipped with a huge gantry crane capable of lifting 900-tonne blocks, Gdynia also has some of the most modern cutting and welding equipment of any European yard.

The competitiveness of the shipyard was recently revealed when a customer was required to explain to insurers the reasons for ordering ships from Gdynia. The Polish yard was able to offer a contract price of around $44m for an Afromax tanker for which Korean and Japanese shipyards were asking between $52-54m with slightly lower specifications.

The Asian shipyards were able to deliver in 14 to 16 months while Gdynia took between 24 and 28 months. This was partly a question of order books and partly man-hours. While the Japanese yards required 500,000 man-hours at $25 an hour, the Polish yard expected to consume 1.25m man-hours at a rate of $1 and hour.

In the past, the profitability of Polish yards has been handicapped by poor payment conditions. Contracts requiring only 20 per cent of the price during construction and 80 per cent on completion were common. This left heavy exposure to domestic interest rates of 60 per cent and higher.

The yards have also had to absorb the retroactive removal of the 20 per cent government subsidy. In addition, Polish yards have been left with several nearly completed or completed ships ordered by the former Soviet Union but not delivered because of the collapse of the old rouble trading system.

Several older orders have been re-negotiated on more favourable terms, however, and new orders are only accepted with heavy up-front and progress payments written in. With shipowners around the world renewing ageing fleets the Polish yards are confident of better times and good order books until well into the next century, but need much re-organisation and change in the meantime.

## Profile: LECH WALESA

# Hero's popularity wanes

THE Polish presidency sits increasingly uncomfortably on the shoulders of Lech Walesa, the working class hero of the 1980s. As the man who arguably did more than any other individual to spur the collapse of the Soviet empire his place in recent history is assured. But assessment of his role in the post-communist Poland he helped to bring about is likely to be much less flattering.

His insistence on holding elections in the autumn of 1990 to replace the communist-era president, General Wojciech Jaruzelski, has proved a mixed blessing.

The elections further distanced Poland from its communist past. But in the process he broke what remained of the old Solidarity alliance of workers, intellectuals and church at a time of considerable political stress. The election revealed growing popular disillusion with the new democracy and the economic sacrifices it demanded. It was also difficult to distinguish between political arguments in favour of a democratically elected presidency and the ill-concealed personal ambition of Mr Walesa himself.

The electorate's reluctance to give a blank cheque to such a mercurial character of great, if erratic, political intuition but limited formal education, was reflected in a low turnout and unexpectedly strong showing for his dark-horse rival, the populist Polish-Canadian businessman, Mr Stan Tyminski.

Mr Walesa's original hopes of being swept into the Belveder presidential palace by a virtual plebiscite were also dashed by growing concern, especially among Solidarity intellectuals, at his growing self-identification with Marshall Joszef Pilsudski, the Polish strongman of the inter-war *sanacja* period.

Once elected, President Walesa embarked on a series of foreign state visits to raise Poland's profile abroad and drum up foreign investment. But his ambivalent attitude towards the economic sacrifices demanded by the IMF-backed economic stabilisation strategy undermined the efforts of his finance minister to push for the radical market reforms which attracted investor interest.

His proposal, for example, that all Poles should be lent the equivalent of $10,000 through the privatisation of state enterprises did much to confuse an already difficult debate and has resurfaced recently to further complicate the privatisation process.

But the confusion of roles between parliament, the government and the president really came to a head after the October elections last year which resulted in an atomised parliament of 29 parties and a shaky coalition government headed by a man with a proven track record of non-compliance with presidential wishes.

Mr Walesa's awkward relationship with the popularly elected parliament is reflected by the seating arrangements of the Sejm, the lower house. Mr Walesa sits, surrounded by a handful of advisers, on a sort of throne up in the balcony above the chamber. Up to now he has never participated in any debate but alternately glowers or stares in a bored fashion on proceedings.

Surrounded by a narrow group of advisers and deprived of the influence he exerted on the previous government, which was essentially chosen by him and made up largely of men from his Gdansk power base, Mr Walesa has appeared increasingly frustrated. He was, for example, kept in the dark about a series of personnel changes among senior military officers. Pending finalisation of a new constitution, however, Mr Walesa still formally retains many of the powers of his communist predecessor, including commander of chief of the armed forces.

In this capacity he organised meetings between his advisers and senior military officers. This provoked an angry response from the minister of defence, Mr Jan Parys, who warned publicly of the danger of a coup.

In a conciliatory move prime Minister Jan Olszewski packed his defence minister off "on holiday" but the incident sparked off a wave of press criticism which revealed the strength of opposition to Mr Walesa's efforts to remain a major player in his own right.

The coming months will probably see continuing efforts to persuade the president to accept a more limited figurehead role. But it will not be easy. He still has faith in his historic role and is concerned that western Europe is not showing enough foresight in its approach to eastern Europe, economically and militarily.

"I fear we won't always be on time with our preparations but will find ourselves mostly following events," he says referring to the prospect of strife in the former Soviet Union and elsewhere and the westward emigration that could bring.

He proposes the establishment of a UN task force made up "of a division or two from each country" which could move quickly to stifle conflicts. The establishment of such a force, he says, should be preceded by a solemn pact binding all European countries to abstain from using force and call in these international arbiters should the need arise.

**Anthony Robinson and Christopher Bobinski**

Lech Walesa: kept in the dark about military changes

## PROFILE: ANDRZEJ OLECHOWSKI

# Minister in the hot seat

POLISH politics is full of ambitious men, but few mask their intentions better than Mr Andrzej Olechowski, 44, the new finance minister. Tall, good-looking and with an irreverent sense of humour, Mr Olechowski slipped into the hottest seat two months ago.

The appointment transformed the government's image at a difficult moment. His predecessor, Karol Lutkowski, had just resigned amid desperate calls for further cuts in spending.

An academic by nature, Mr Lutkowskihad felt unsure of curbing the spending instincts of his cabinet colleagues and keeping the budget deficit within acceptable limits. Abroad, his resignation was taken as a signal that the monetary floodgates were about to burst and that Poland's free market reforms were fated to founder in waves of inflation.

Mr Olechowski moved fast to control the damage. He quickly established a rapport with Mr Jerzy Eysymontt, the chief economics minister. This meant accepting the latter's priority of halting Poland's recession at the cost of achieving single-digit inflation before 1994. In Washington, he pursuaded the International Monetary Fund to accept a budget deficit pared to 5 per cent of the GDP.

Next, with the strong backing of Mr Jan Olszewski, the prime minister, he persuaded the cabinet to accept the strictures of the new budget. The greatest test is ahead as the budget still has to be implemented and more painful spending cuts may be necessary.

In his youth Mr Olechowski was as passionate about western pop music as he later became about western economics. He became a disc jockey on a Warsaw radio programme while studying at Warsaw's school of economics in the later years of party boss Wladislaw Gomulka.

His climb up the career ladder has given him unmatched experience. He stands out among most of Poland's political establishment for whom honours won in struggles with the communists still count more than competence.

He is politically unattached. His views are a mixture of conviction that monetary controls must be tough to check inflation, and a pragmatism which recognises that change in the efficiency of government and in the state industrial sector will come faster if pushed from above.

A patriot with a keen sense for Poland's history, Mr Olechowski shares the belief of most Poles that the country must forge close links with the west if modernisation is to be achieved.

**Christopher Bobinski and Anthony Robinson**

## Profile: JAN OLSZEWSKI

# Little-known premier

POLAND'S Prime Minister Jan Olszewski is little known outside his country's borders. The rather crumpled-looking, 61-year-old lawyer, with bushy eyebrows spent most of his life doggedly opposing communism and defending as best he could the civil and human rights of those condemned in the courts of the communist regime. It was thanks to people like him that Poland managed to blunt the impact of Soviet domination after the war.

His biography is a very Polish one, even to the extent that until his first visit to Italy shortly after becoming prime minister he had never travelled abroad. He was born in Warsaw, the son of a railwayman in a home whose traditions were strongly linked to the country's socialist movement. During the war he joined the scout-based resistance and went on to study law.

In 1956, during the "October liberalisation" which followed the death of Stalin he wrote for the Po Prostu weekly, the reform movement's mouthpiece. In the 1960s he embarked on a career as a lawyer. He defended a long list of dissidents, many of whom are now his political opponents.

In those years he brought his natural eloquence to bear with equal passion on judges in city courts and minor officials in dusty local tribunals in cases where sentences were fixed in advance and the defence spoke more to succour the accused than to affect the verdict.

This impressively single-minded pursuit of justice in what seemed hopeless circumstances was the domain of only a handful of the legal profession at the time. In 1968, after the student riots, it led to Mr Olszewski's temporary suspension from the bar.

His determination was accompanied by a passion for politics. His secret vehicle was the Polish Independence Agreement, a small think-tank he helped run between 1975 and 1980 with Mr Zdzislaw Najder, now his closest adviser.

When the Solidarity alliance of workers, intellectuals and church burst upon the scene in 1980, Mr Olszewski helped to write the movement's statute and became an adviser during martial law. He also worked for the Polish bishops, forging links which mean that the influential Polish church is happy to support him at the head of the government.

In 1984, he represented the family of the dissident priest Father Jerzy Popieluszko, murdered by secret police, at the trial of the killers. But in 1989, when Solidarity sat down with the communists to negotiate what later turned out to be a peaceful transfer of power, Mr Olszewski was critical of what he thought were too intimate links with the country's rulers.

He argued that communists should be removed from positions of influence wherever possible and came to power with that demand at the top of his programme. But that promise, like the pledge that energetic steps would be taken to counter the economic recession, has been blunted by the realities of government.

Once in power Mr Olszewski accepted that economic policies had to be conducted in agreement with the International Monetary Fund, which had at first been critical of his programmes. He also showed a pragmatic streak in dropping demands for widespread purges, arguing instead for a reform of the structures of power to eliminate the last vestiges of the communist system.

Mr Olszewski can be tough when he choses to be. He refused to continue efforts to form a government early in 1991 when it became clear that President Walesa wanted to have a final say over every ministerial appointment. Now he faces another tussle with the President over who has authority over the armed forces.

**Christopher Bobinski**

## Profile: LESZEK BALCEROWICZ

# Miracle-maker

Leszek Balcerowicz: Poland's iron man of economics

THE START of Poland's bold attempted leap from central planning to market discipline was linked to the name of one man – Leszek Balcerowicz. After more than 45 years of communist distortion, this lean, intense, academic economist became finance minister in autumn 1989 and was suddenly given the chance to put theories of economic transition into practice.

For the first six months of 1990 his IMF-backed stabilisation policies performed miracles. Hyperinflation was blocked in its tracks, a huge monetary overhang was eliminated, the zloty was made internally convertible and regained its lustre, private enterprise blossomed.

Abroad his views and experience continued to be actively sought, especially by the young Russian reformers around Mr Yegor Gaidar. But at home criticism of his alleged insensitivity to the social costs of transition mounted throughout 1991 as lower trade barriers and an increasingly overvalued zloty put pressure on domestic producers andunemployment started to soar. Inflation also remained dangerously high, fuelled by a soaring budget deficit which Mr Balcerowicz, for all his "iron man" image, proved unable to contain.

In an interview shortly after leaving the finance ministry Mr Balcerowicz displayed the quiet but passionate conviction in market-orientated reform which made him the moral as well as intellectual driving force behind Poland's first two post-communist governments.

But he does not hide his frustration at the political and institutional barriers to reform which have emerged.

He recalls that when Poland pioneered the reform process in January 1990, inflation was running at an annualised rate of around 2,000 per cent and there were shortages of everything. Within weeks the shops were full and by August inflation fell back to 1.8 per cent. But after a mistaken mid-year easing of monetary policy, inflation began rising again to 3 to 4 per cent monthly, which has become a clear sign that underlying structural problems need to be tackled.

Even so, Poland has not done badly, he argues, when compared to more fortunate Hungary and Czechoslovakia. They embarked on reform with lower inflation, fewer shortages and, in Hungary's case, a strong head start thanks to earlier reforms of crucial areas such as banking and taxation.

**Anthony Robinson**